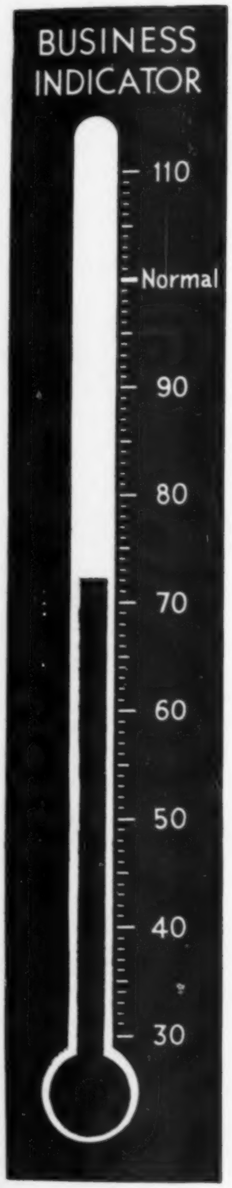
OCT 7, 1931

# THE BUSINESS WEEK:




The last quarter opens without significant sign of autumn acceleration or promising prospect of early improvement in the business picture in any other essential respect . . . . It is becoming clearer that the shock to the world's financial nervous system and the disturbance of its international trade metabolism due to the abandonment of the gold standard by a large part of it will require emergency treatment and a prolonged period of convalescence . . . . So far the American securities markets have withstood the shock with surprising strength, assisted by a drastic ligature of limitations on short-selling, but how far they will be able to stand the steady pressure of world-wide credit liquidation and the accompanying gold hemorrhage remains to be seen . . . . Fortunately the Federal Reserve is freely offering its blood-transfusions of reserve credit to maintain easy money conditions in this market in face of emergency foreign and domestic demands . . . . Meanwhile current indicators give no evidence that business is going to break through the rock bottom resistance level which bare replacement demands have established since last December, in spite of the pressure of accumulating credit difficulties and disappointing performance in security and commodity markets . . . . Our index still holds above the 70% line, despite persistent weakness in most components, and there is some reassurance in the super-seasonal strength of building projects. But the days pass swiftly.

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# What's In This Issue —And Why

### Face the Facts

WORLD depression is deepening; business is over its head; prompt government action is necessary to bring recovery. *The Business Week* makes some specific, practicable proposals. *(Editorial, page 44)*

### Wage Cuts

STEEL'S action will do more toward reducing losses than prices; stark necessity is the pleaded justification. *(page 5)*

Many great companies, hitherto reluctant to chop losses out of labor, succumbed with Steel. *(page 6)*

### Gold

CONSEQUENCES of the British decision begin to show themselves in all corners of the globe; particularly are they felt in the countries remaining on the gold standard. *(page 7)*

### France, Germany & Co.

LAVAL visits Berlin, and a new world business partnership is announced. France supplies the capital; Germany the labor. Obviously it is one of these emergency mergers, but it isn't so clear which partner is worse scared. *(page 9)*

### Railroads

ANALYSIS of passenger train operations by the I.C.C. shows many roads apparently paying for the privilege; railroaders dispute the commission's cost accounting. *(page 18)*

CANADA'S 2 great systems may have to merge to keep from drowning in red ink; Premier Bennett is likely to act. *(page 20)*

### Lumber

AMONG West Coast lumbermen, stocks are still too high, unemployment serious; their association recommends keeping the cut under actual sales requirements to absorb the heavy surplus. *(page 14)*

### Meat

PACKERS have lost millions this year, much of it due to price declines of meat in process; but they have gained a new merchandising attitude. *(page 11)*

### Milk

DETROIT'S distribution problems reflect a general situation; too great a supply and a changing demand combine to harass the big companies. *(page 12)*

### Retailing

A VIOLENT and vigorous master-salesman from Louisiana has found a ready market for his anti-chain crusade among the merchants of Michigan. *(page 13)*

### Oil

WITH domestic output on a quota basis, producers want imports restricted, find it hard under present Sherman law rulings. *(page 25)*

### Mr. Esso

INTIMATE views of the ascendant head of Standard of New Jersey and Mr. Teagle's views of oil's present and future. *(page 26)*

### Russian Jobs

AMERICAN workmen are answering the Soviet's help-wanted ads; 100,000 have applied for the 6,000 jobs; many of them say they want to stay. *(page 32)*

### Taxi!

PARMELEE plans to go national, with "branded" cabs in small as well as large cities, using merchandising devices that stand the hard-times test. *(page 16)*

### Family Row

LIQUID carbon dioxide has long had the soda-fountain market for its own; now comes its hard young brother, solid $CO_2$, unhindered by heavy steel cylinders. *(page 16)*

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending October 3, 1931

# Wisdom of Steel's Wage Cut Yet to Be Proved by Outcome

## Little effect on prices foreseen, but more business would be full justification

THE United States Steel wage cut, the signal it gave to others, and the probable consequences have been the chief domestic topics of business discussion for the past 10 days. Discussers definitely line up on 2 sides.

Bankers, financial experts, representatives of the investing public see a "constructive move," as Eugene Grace put it when he carried Bethlehem in the wake of Big Steel.

Leaders in business management—distinct from financial management—industrial relations experts, social workers, and labor leaders are as firmly convinced that this—probably unsuccessful—attempt to cut costs will have seriously unfavorable effects on worker psychology and help business not at all.

Arguments pro are well known. Steel markets had almost disappeared and prices, reduced below production costs, kept mills operating at only 30% capacity. Dividends had been slashed, salaries cut, costs lowered as far as seemed possible without wage cuts, but no improvement had developed. No business can run long in the red.

### Might Help Securities

Wage cuts might still further reduce costs. This might reduce current losses. Of course, this would improve the prices of the stocks and bonds, which is of vital concern to banks that have these securities in loan portfolios or in their reserves. Also it might conserve the crumbling assets of steel corporations whose reserves have been melting in a stream of red ink.

If wage cuts reduced unit costs, there might be some saving beyond getting out of the red which might be passed on to the consumer. If so, this might stimulate more orders and result in increased employment thus helping the workmen. If this result is achieved, wage cuts will have justified themselves.

But the opposing arguments are numerous. It is the view of many business men that lower steel prices will not increase the consumption of steel. And if prices are reduced appreciably the mills will fritter away any savings and still be in the red.

There is considerable expert opinion among managers that a wage cut imposed upon men whose earnings already have been reduced over half by part-time employment will cause discontent, disaffection, and soldiering to a point where production costs may actually increase. They point out that in not more than a score of plants in the country are controls so perfect that individual workers do not have considerable influence over their output. Recent careful investigations have shown that, even under the best of conditions soldiering is a common practice in virtually all plants. Resentment is one motive. A more important one is the desire to make the work last as long as possible.

### 2% Cost Cut—Maybe

As a matter of fact, reduction of costs from wage cuts in steel is likely to be slight. In the steel industry direct labor costs are about 20% of the total. So a 10% wage cut might further reduce costs 2%—if it took. Previous wage cuts in contributing industries are already reflected in lower steel prices.

Criticism has been raised against this statement on the ground that it does not consider duplication of wages involved in material costs. The National Industrial Conference Board has taken pains to point out that, with this item figured in, total labor costs in industry amount to about 30% instead of 16.5%. In that case, when

*International News*

A $20-MILLION SIGNATURE—*Backed (left to right) by Samuel Rosenman, counsel to the governor, and Herbert Lehman, lieutenant-governor, faced by the Democratic donkey, Governor Roosevelt signs the bill which will help relieve unemployment in New York this winter*

and if every underlying industry has cut, and passed the saving on to steel, costs might theoretically be lowered 3% instead of 2%. But this is a long road, with many detours on which the theoretical savings can easily get lost.

Steel men themselves say one cause of their present plight has been price-cutting below profit levels. U. S. Steel, Bethlehem, Youngstown Sheet & Tube, Jones & Laughlin control a large share of the industry's total output. It is suggested they should have been able to withstand buyer pressure and independents' raids in better fashion, so as to meet operating costs, at least.

**Cost of Living Out**

The cost-of-living argument gets scant attention. Living costs are down 11.7% since June, 1929. But earnings, not rates, set living standards, and, through part-time, wage incomes have already been reduced by amounts not estimable but enormously greater than the decline in living costs. There still has appeared no rational explanation of how "starvation in the midst of plenty" because of lack of purchasing power can be cured by still further reducing purchasing power.

Likewise, efforts to spare dividends from further slashes win faint praise from the worker even if he is, in many cases now, also a stockholder. The worker's income from dividends is trivial, compared to his earnings. He feels that most stockholders are not in as desperate straits for income as he.

**Pull on Purse-Strings**

There seems to be little doubt in the minds of careful students of public psychology that the uneasiness engendered by the orgy of wage cuts instituted last week will put the final clamp on the consumer's pocketbook until something more happens—either until he is sure the storm is over, or until a definite upturn in business appears. Those who expect this will watch for an immediate and marked let-down in retail volume.

Total company payrolls have been reduced by part-time operations and these reductions have been accepted by workers. To risk satisfactory employee relationships, maintained only with considerable difficulty under present conditions, for a wage cut which can have only a minor effect upon costs at the best and is just as likely to increase them as to lower them appears to many managers with modern views on employee relationships a gamble against unreasonable odds.

But if business improves, they are answered.

# Rush of Wage Cutting Follows Big Steel's Lead

SINCE United States Steel Corp. announced a wage cut last week an unusual number of large, nationally known concerns have made public plans for reducing their labor costs. This movement lends considerable support to the general opinion that many employers have wanted to cut wages but have held back in the hope that Big Steel, bell-wether of American industry, would take the initiative.

Immediately following the U. S. Steel cut came similar reductions by Bethlehem, Youngstown Sheet & Tube, Jones & Laughlin, Republic Steel, and Colorado Fuel & Iron Co., 5 of the country's largest steel companies.

Also on the day of the steel cut the majority of the country's copper companies announced pay reductions. Concerns joining in this move included Phelps Dodge Corp., Calumet & Arizona, Nevada Consolidated, United Verde, Inspiration Consolidated, Utah Copper, American Smelting & Refining. Miami Copper put through a reduction in wages last July.

Other concerns which have announced wage cuts within the last 10 days include General Refractories Co., Pepperell Mfg. Co., United Zinc Smelting Co., Amoskeag Mills, Stewart-Warner Corp., Nicholson File Co., New York Stock Exchange, and New York Curb Exchange.

Cuts in salaries have been announced by General Motors, Northern Pacific and Lackawanna railroads, B. F. Goodrich Co., Aluminum Co. of America, Pittsburgh Coal Co.

At the Long Island City manufacturing plant of Loft, Inc., candy makers, an attempt to increase working hours from 48 to 60 without pay increase has brought a strike. Atlantic Coast longshoremen threatened to strike should proposed wage cuts become effective. Newest local to join the hosiery unions' strike (*BW—Sep30'31*) is that of Phoenix Hosiery Co., Milwaukee, whose members have walked out in protest of 35% cuts.

U. S. Rubber Co. has officially adopted the 5-day week and the Richmond, Va., plant of duPont Rayon Co. has gone on this schedule.

CLOSED FOR ALTERATIONS—*The London Stock Exchange posts its closing notice as England goes off the gold standard; worried British brokers congregate in the doorway, ponder the possibilities*

Acme

BUSINESS AS USUAL—*When Britain jumped off the gold standard, most of the world's exchanges closed: the Paris Bourse was open for business*

# Trade Disrupted, Prices Broken As More Nations Leave Gold Base

## United States, France, and a few others find themselves at serious disadvantage

ONE by one in the events of the week the far-reaching consequences of Britain's abandonment of the gold parity of the pound begin to emerge from the confusion in world money and security markets. Ultimate consequences are not clear, depending mainly on international action of statesmen, still uncertain. Immediate effects are only too evident.

First, intensified international hoarding of gold. Bolivia, Colombia, Denmark, Sweden, Norway, Egypt, Greece have followed Britain in stopping payments of gold by their banks either inside or outside these countries, to check loss of reserves. They, along with Argentina, which had stopped external payments earlier, thus allowed their currencies to follow the pound and depreciate in terms of the dollar.

### The Gold Countries

Besides the United States and France and her financial allies—Belgium, the Balkan countries, and Poland—only Germany, Holland, Switzerland, Italy, Japan, Spain remain on a gold basis, and in most of the latter group more or less strict control of exchange dealings and imports has been imposed to maintain the foreign value of their currencies. Portugal and all the Latin American nations have more or less completely abandoned attempts to fix the external value of their money.

Second, further disruption of international trade. Not only have the wide fluctuation in exchange values and confusion in the transfer of funds from one country to another made international trade more difficult than before, but the threat of increased exports at low gold prices by countries with depreciated currencies has moved the others to raise tariffs sharply. Most astonishing of all is the appearance of a movement in this direction in the United States.

### The Scandinavian Problem

The Scandinavian countries have a large market in Britain, could not afford to be shut out by the higher value of their currencies in which Britishers would have to pay. Besides, they had large sterling balances in London which depreciated with the pound, thus lowering their bank reserves. They tried to offset this loss by getting credits in New York and Paris, but failed.

Egypt, like India, had her currency tied to sterling. To have held its gold value they would have lost part of the market for cotton in Britain. Both countries will now be able to supply cotton to England more advantageously than America unless our price comes down.

All other countries whose currencies have been allowed to depreciate with the pound will likewise be able to trade on the same terms as before with Britain and each other. Argentina expects to find a good market for her wheat in England unless Canada follows, or all North American wheat falls in price. A mild boom has started in Argentina as a result.

### America Feels Pinch

Conversely these countries will buy British goods, and each other's, in preference to American, French, Canadian, Belgian, Dutch, Swiss, Czechoslovak, or Polish goods, because they have to pay less gold for them. American exporters and export industries are already beginning to feel the effects in cancellation of orders. These advantages will last only so long as prices in Britain do not rise as fast as the value of the pound depreciates, or so long as prices in the gold holding countries do not fall as fast as the pound declines.

Since Soviet Russia has never been on a gold standard, she will switch her trade where possible to the countries that have abandoned it, except as she secures more liberal credit terms from the gold standard countries.

Third, further deflation of commodity prices in the countries still on a gold standard. This is seen already in American wheat and cotton markets, and may come in copper, depending upon how much Britain will rely upon the American supply. It is seen in rubber and tin also, since Holland, still on gold, controls so much of the supply. Hence it is problematic whether the Dutch will stick by gold and see their rubber plantations further ruined.

### Commodity Prices Fall

As the countries off gold buy their wheat, cotton, rubber, tin, copper from other non-gold countries, or from their colonies also off gold, the supplies of these commodities controlled by gold countries are backing up on the market and falling in price. This has been intensified by the instability of the exchanges and disorganization of the machinery of international payment, which will last as long as the pound is not stabilized at some figure or until an international conference is called to repair the machinery of exchange.

Fourth, tightening of interest rates in all money markets. Foreign banks, unable to withdraw London balances without loss due to further depression of the

pound are liquidating balances or short-term loans in other centers, chiefly New York, and accumulating gold to strengthen their reserves.

In addition central bank rediscount rates abroad have been sharply raised to cut down currency in circulation, force domestic credit liquidation and attract foreign deposits.

### Federal Reserve Strain

In the United States the Reserve system is being subjected not only to the strain of these foreign withdrawals, but to a persistently increasing internal hoarding demand for currency, and for reserve credit in the form of member bank borrowing to meet commercial and crop moving requirements.

The Federal Reserve has met this multiple demand for funds in the New York market by absorbing bills offered and by increased rediscounts and has so far only advanced its bill buying rate. If the demand continues it will be necessary to buy government securities to offset the tightening of the market, unless the rediscount rate is to be raised.

The outflow or earmarking of gold for foreign account in itself would be a good thing if it were offset by credit expansion here. But such redistribution of our gold hoard will probably be temporary, especially if interest rates rise here.

Although in August imports of merchandise slightly exceeded exports, tourist expenditures, immigrant remittances, interest and dividend payments abroad and certainly foreign credits have all declined, so that the pressure for inward movement of funds has increased. In addition, the flight of foreign capital here for safety is likely to grow, so that a continued inflow of gold is probable.

All this, taken in connection with the tidal wave of wage cuts, means further deflation in this country, as commodity prices decline, foreign trade is further hampered and credit becomes more costly and scarce.

It is possible that the coming meeting of the heads of the two countries that hold most of the world's gold may result in an international effort to rehabilitate the world's financial machinery which finally broke completely when Britain abandoned the gold standard.


International News

**Financial Overseer** — *Norman H. Davis, first U. S. member of the League of Nations' financial committee, who may be appointed by the League as the joint overseer of the tangled financial affairs of both Austria and Hungary*

## Europe's Unemployment Rises Toward a Record

European unemployment during the coming winter is likely to surpass last winter's record figures.

In Great Britain, unemployment has risen month by month since the summer of 1929, except for a slight recovery from March to May of this year. Since then it has continued to rise and in August passed 2,800,000. German unemployment, which was just under 5 millions in February, fell only 1 million by the end of June and started up again in July. Austria, Poland, and Italy have shown similarly large increases in their heavy totals.

February is usually the worst month, June and July the best. This year even June was bad. The following data computed on different bases, serve more as an index of unemployment than as an absolute measure.

| (in thousands) | Winter 1929-30 | High 1930-31 | End of June 1930 | End of June 1931 |
|---|---|---|---|---|
| Austria* | 285 | 334 | 150 | 191 |
| Belgium** | 48 | 207 | 54 | 167 |
| Britain* | 1,583 | 2,697 | 1,912 | 2,736 |
| Czechoslovakia† | 134 | 344 | 73 | 220 |
| Denmark‡ | 63 | 73 | 25 | 34 |
| Estonia† | 6 | 7 | 1 | 1 |
| Finland† | 13 | 12 | 4 | 6 |
| France† | 15 | 72 | 10 | 51 |
| Germany† | 3,366 | 4,972 | 2,641 | 3,954 |
| Holland** | 56 | 109 | 24 | 56 |
| Hungary‡ | 23 | 28 | 20 | 24 |
| Ireland† | 24 | 29 | 19 | 25 |
| Italy† | 489 | 792 | 344 | 598 |
| Latvia† | 9 | 10 | 1 | 2 |
| Norway† | 23 | 29 | 14 | 25 |
| Poland† | 410 | 455 | 299 | 357 |
| Rumania† | 16 | 43 | 23 | ... |
| Sweden‡ | 54 | 83 | 28 | 50 |
| Switzerland§ | 22 | 61 | 23 | 47 |
| Yugoslavia† | 12 | 14 | 7 | 6 |

*Compulsorily insured. **Unemployment insurance societies. †Registered unemployed. ‡Trade unionists. §Unemployment funds.

International News

**It's Not the Teller You See**—*It's only his reflection. In this California bank, tellers work at right angles to their windows, conduct their business with a large mirror, fully protected from bandits*

# Firm of France, Germany & Co. Formed by a Shotgun Merger

## Germany had to consent, but the partner with the gun is pretty nervous, too

EUROPEAN NEWS BUREAU (*Cable*)—With no lack of appreciation of its limitations, but with a show of quiet satisfaction, Europe is watching the latest pooling agreement in the business world. Paris and Berlin have decided to utilize Germany's superb industrial facilities and France's credit resources in a common cause. Cantankerous political issues, which have prevented effective cooperation heretofore, are pushed into the background. A new commercial working agreement may evolve. If it does, more than the 2 countries should benefit from it.

**Committee Work**

Officials—Laval and Briand for France, and Bruening and Curtius for Germany—prepared the way at Berlin conferences. A committee representative of both countries will work out the details. On the committee will be industrialists and bankers to keep the economic objective to the fore, and government representatives who can assist proposals through their respective governments.

Pressure which helped to bring about the agreement now comes principally from 3 sources:

(1) Realization in France that reparations if ever resumed, will be radically reduced; that therefore it is well to make plans to "get returns" out of Germany:

(2) Realization by both France and Germany that the collapse of sterling not only gives Britain (and other countries going off gold) a new competitive weapon in world markets, but reduces British consuming power (Britain is Germany's second, France's first, export market);

(3) Realization that non-gold standard countries will raise a protective tariff wall. Britain almost certainly will have a tariff within a year. Holland and Italy already have increased their general tariffs (page 32). The threat is spreading.

**3 Aims, 3 Suppressions**

In preliminary announcements, the proposed accord will aim at 3 general accomplishments, will avoid, at least at first, discussion of 3 others.

To be attempted: (1) Revision of the Franco-German commercial treaty of 1925 with a view to lowering tariff barriers;

(2) Close cooperation of individual branches of industry and transportation —especially coal, chemicals, electricity, shipping, air transport. Outstanding hope is the reviving of the tie between the French ore and German coal industries, disrupted by Versailles.

(3) Plans for cooperative selling concentration in the colonies, possibly in Southeastern Europe, and (if Germany can bring it about) in Russia.

To be avoided at present:

(1) Reparations;

(2) Disposition of short-term credits to Germany which fall due Feb. 1;

(3) All political issues, including disarmament.

Too many outside political forces can react on the project to foresee definitely all the effects which may grow out of the plan. Several results, however, are worth contemplating.

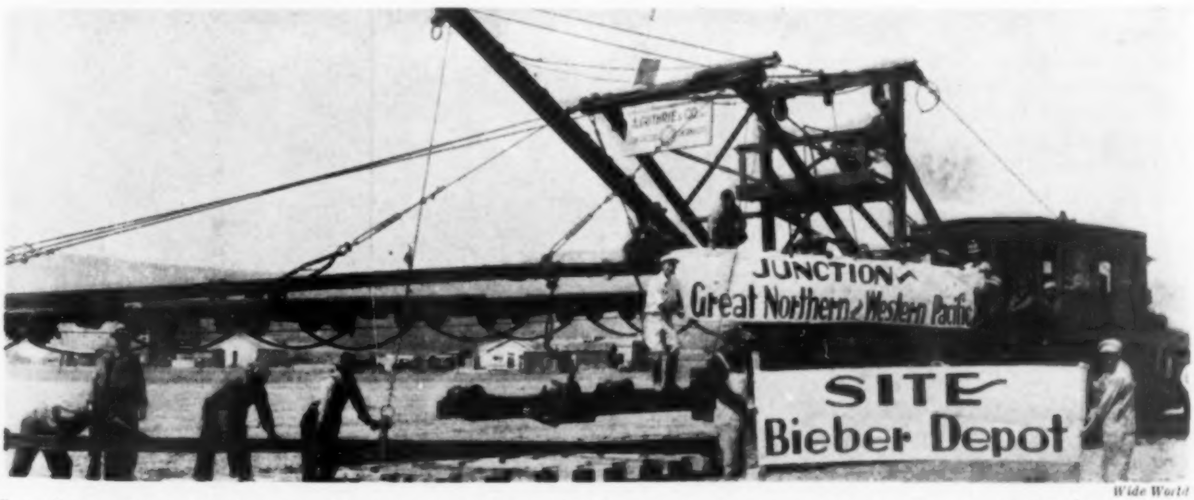
**Conquest or Bluff?**

In the first place, not a few observers look on the move as the "taking over" of Germany by France. These foresee German labor being systematically sweated for the benefit of French capital with German industry virtually mortgaged to France. The result would almost certainly lead to social revolution in Germany.

The less pessimistic look on the move as one more bit of French strategy, a typical Gallic bluff to cover up the fact that France finds herself in a tight corner, is forced to collaborate with Germany to work her way out.

The really optimistic foresee possible widespread benefits, though they are inclined to withhold rash prophecies until the results of the Laval-Hoover conversations in Washington are known.

Industrial cooperation within the 2 countries is likely to follow along the line of cartels, though to date, efforts in this direction have not been emi-




Wide World

LAST RAIL—*Great Northern tracklayers reach Bieber, California, the junction with the Western Pacific which gives Great Northern its route to the Golden Gate. This track machine brings up ties and rails by conveyor, can lay nearly 2 miles of track in a day. Western Pacific rails are expected at Bieber by November*

nently successful. There has already been a serious proposal to restore the Saar to Germany without plebiscite, if French participation in the Saar mines is permitted. Financially-pressed shipping interests in both countries might find it profitable to work common rationalized schedules. Just now German companies are favored because they have the fastest, morst modern ships. In another year or two this supremacy, and the profits it brings, may shift.

### 2 Faces East

It is in the exploitation of foreign markets, particularly Russia, that other countries are interested. France holds political ascendency in the ring of European countries to the east of Germany, but their economic intercourse is chiefly with Germany. Rumania, for example, one of France's satellites, recently signed a trade agreement with Germany giving tariff preference on 200 manufactured items commonly coming from Germany, in return for Berlin's promise to give preference to Rumanian grains. Yugoslavia flirted with a similar German agreement despite the fact France has poured large sums into the country. Austria, on the other hand, willingly gave up the plan for German *Anschluss* when France promised to aid the country in its present financial distress. A common policy in the exploitation of these central and southeastern European markets should work to the benefit of both France and Germany.

Cooperative exploitation of the Soviet market is the proposal probably attracting widest business attention. France, heavy loser when the Czarist government fell, has gone into Soviet business gingerly, backed out almost completely last year, is negotiating again for a share of the huge orders.

Germany, on the other hand, has vied with the United States for the bulk of the heavy industrial orders coming out of Moscow, carried away the lion's share until last year when Yankee firms won several millions more of the Russian businesss.

### Berlin Is Several Up

But Berlin is far in advance this year. A special Russo-German trade agreement signed in April and granting an average of 24 months' credit on Soviet purchases, has attracted the bulk of the trade. Up to Sept. 15, Moscow had placed $203 millions of orders in Berlin, less than $50 millions in New York.

The local and national governments in Germany guarantee 70% of outstanding credits on this business. Naturally, in Germany's present condition, further credits are scarce.

Russia is tending more and more to barter her business (1) to those who buy Russian products, or (2) to those who grant long credits. Britain is Russia's best market, but Germany is a close second, with Italy climbing into third place on heavy oil, coal, and wheat purchases. France buys but little from, sells less to, the Russians.

What the Franco-German combine will do in this case is uncertain. Paris may be lesss eager to sink vast sums in financing Russian orders in Germany than the Germans would hope. But with "barter" in the air, with both Germany and France a market for oil and wheat, unexpected new trends may develop.

Essentially what may be expected out of the new Franco-German agreement hinges on one premise: that French capital must relieve German financial anemia and implement German productive capacity, and then that both nations shall bend their efforts toward the conquest of new markets.

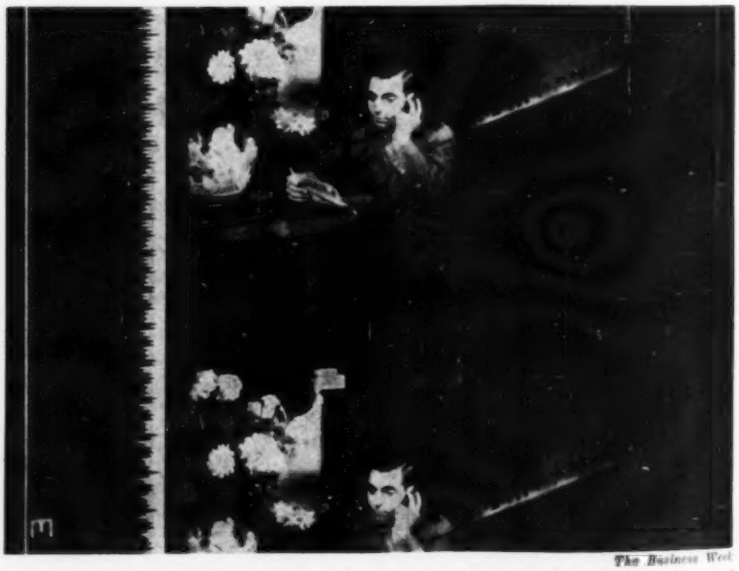
## Hopes of Silver Advocates Droop as Prices Drop

The sensational rise in the price of silver following England's suspension of the gold standard was of short duration. In the New York market the quotation on commercial bar silver, after advancing 13% last week, dropped back to its former low level. The London price, however, is still 15% higher than 2 weeks ago and continues firm at this level, reflecting in part the rise in the British general commodity level due to sterling's depreciation.

### Stirred by Advance

Hopes of silver advocates were stirred when that metal started on its rapid climb. The idea was that gold abandonment would give silver greater importance. Bimetallists and promoters of silver stabilization renewed their agitation for a world silver conference and the reinstatement of the metal as money. Silver miners looked forward to an early return of normal conditions in their industry. Trading in silver showed a tremendous increase, with transactions in silver futures on the National Metal Exchange, New York, aggregating over 10½ million ounces between Sept. 21 and 30, out of a total of 12 millions for the entire month. Trading also increased on the London market.

The immediate outlook is uncertain. Suspension of the gold standard may not put any country on a silver basis. Nor is it certain that an international conference for the stabilization of silver will materialize soon. An advisory committee of the International Chamber of Commerce met this week to discuss the advisability of holding a world silver parley, but its recommendation, to be submitted to the International Chamber Oct. 23, has not been announced.



The Business Week

Signing the Contract—*Eddie Cantor, in New York, talks to Samuel Goldwyn in Hollywood about his next picture. Their voices, and those of the various operators, were recorded on talkie film, recognized as a contract. On the left edge is the sound track of the conversation*


International News

THE "AKRON" OVER AKRON—*The Navy's newest and biggest flies over her birthplace. Goodyear expects to use commercially the experience gained in the construction of this battleship of the air*

# Meat Packers Try New Selling Methods to Offset Low Prices

A YEAR of steadily declining prices has been costly to meat packers. Annual statements that will come out after the close of the packing industry's fiscal year, Oct. 31, will show the drop in profit.

Basing his estimates on Bureau of Agricultural Economics reports showing average stocks on hand for the first of each month during the November–August period, Edward N. Wentworth, Armour economist, estimates total loss to packers due to price declines while meat is being processed as approximately \$30 millions. The average stock included about ¾ million pounds of pork and lard and 60 million pounds of beef. In pork, much of which is kept on hand for several weeks while being smoked, these losses are especially heavy.

### Carrying Charges Lost

In addition to these losses due to changes in inventory \$20 millions must be allowed to cover carrying charges normally absorbed by an increase in inventory values during the season.

Farmers have lost much more than packers and are cutting costs by butchering at home. Reduced packer sales in rural areas reflect this.

The meat industry has, however, made progress during the year, notably toward making meat buying by the housewife less a matter of guess.

While much has been done in the last 10 years to standardize grades of ham and bacon, beef has lagged behind. In a typical meat market, buying a beefsteak is still pretty much of a venture. Most beef is "prime" until it gets into a skillet.

For several years organized producers of purebred beef cattle have been fighting to get beef graded and stamped. Their efforts are now bringing results with government and packers cooperating. Volume of beef graded and stamped has doubled within the year. About 25% of Armour's output is so handled now.

Packers use the same brand names for first, second and third quality that they use on hams, bacon, eggs and other products: Swift—(1) Premium, (2) Select, (3) Swift's; Armour—(1) Star, (2) Quality, (3) Banquet; Cudahy—(1) Puritan, (2) Fancy, (3) Cudahy; Wilson—(1) Certified, (2) Special, (3) Wilson. The habit of using the firm name to designate the third grade is interesting.

Larger volume of packaged and of ready-cooked meats continues. Packaging helps sell less popular cuts, it is found. One packer who had been selling each week 1,000 picnic hams—front legs of hogs—increased sales to 5,000 a week, and at 2¢ a pound more, by packaging in cellophane. Swift and Armour have recently added lines of quick-frozen meats (*BW—Sep16'31*). But packers profess doubts as to permanency of the quick-freezing process.

### No More Riding Along

As rate of population increase declines, and as popularity of fresh fruits and vegetables increases, the sales problems of the meat industry become more important. It is no longer possible to ride along confident that volume will increase of its own accord.

T. G. Lee, the sales vice-president who became president of Armour in January, gives promise of being more than the "wholesale butcher" which he modestly insists is his main job. The packing industry—with some exceptions to the credit of Swift's active consumer merchandising—has hitherto suffered by being too butcher-minded. Lee is by inclination and training, merchant-minded. This year he attended a convention of meat retailers, which is more significant than it sounds. The attitude heretofore has been that big packers should shun meetings of meat retailers for fear of questions that might prove embarrassing. Lee believes in facing the facts of selling problems.

A uniform state meat inspection law will be proposed at the October convention of the American Institute of Meat Packers in New York City, Oct. 16 to 21, by Oscar G. Mayer, chairman of the institute's committee on inspection. All meat going into interstate commerce is subject to strict and efficient federal inspection, but many packers who cater only to business inside their own states get by with no inspection. The fight waged in St. Louis against non-inspected meat has helped bring the issue to a head.

Packers want uniform state laws rather than city ordinances. California enacted such a law early this year, the first state law comparable with the federal in effectiveness.

# Celotex "Merges" Sales With Allied Companies

"SALES mergers" have added several new products to the Celotex line. By arrangement with other manufacturers, Celotex takes over the job of getting

orders, but not the task of filling them. Purpose is to increase the per-man sales of the Celotex sales force and so cut the per-unit sales cost. And the addition of a new product may increase business on an old one, especially if the new product be such as will round out the line.

### Round Out the Line

The new products which the Celotex sales force is exploiting do round out the Celotex line of insulation and wall-covering materials. American Hair & Felt Co., Chicago, maker of "Ozite" carpet cushions and other felt and hair products, has granted Celotex exclusive use of the term "Ozite" in the building insulation field. Ozite building blanket is one product offered. Another is Lanite insulation quilt, a similar but lower priced product.

Furthermore, by contract with Alton Box Board & Paper Co. of Alton, Ill., Robert Gair Co. of New York, and The Compo-Board Co. of Minneapolis, 3 different lines of non-insulating wallboard are now in the Celotex sample cases. Two of these are considerably lower priced than Celotex proper.

Building material dealers are being persuaded that they can use the entire Celotex line to build profits when times are bad. Emphasis is laid on modernization.

Meanwhile, T. B. Munroe, vice-president of research, is busy developing new uses for Celotex such as noise prevention and acoustical correction.

If officials of the company are not Celotex minded, it is not because they are not Celotex-surrounded. The interior of the company headquarters in the Palmolive Building, North Michigan Avenue, Chicago, is furnished in a variety of Celotex wall fittings and treatments.

Acme

EUROPE-BOUND—*H. E. Manville, chairman of the executive committee of Johns-Manville, sails on the "Mauretania" for a vacation*

# Too Much Milk, Little Control Breeds Trouble in Detroit

THE battle for Detroit's $21-million-a-year retail milk trade is a local situation with a national angle. The rumble of this dairy warfare is heard in Wall Street as well as in Detroit's municipal chambers and Michigan's legislative halls. Many of its problems are those which the industry faces in other metropolitan areas.

National chains invaded Detroit only about 2 years ago. National Dairy Products took over Detroit Creamery and Ebling Creamery; Borden's acquired Belle Isle Creamery and Gabel-Risdon Creamery. These 4, still operated as independents, supply 60% of the city's milk. Some 40 small companies share the remaining 40%.

Today, according to a state inquiry into the price of milk, the 4 national companies have lost 13% of the market in the past year; one of the largest companies is doing 35% less business; 17 independents have gained 2%.

### Why and Wherefore

Too much milk is one reason. Independent dairies can buy from the farmer at a low flat rate, sell to consumers at a price in proportion. Price-maintenance difficulty is another. Stores sell at lower prices than route wagons, raising distribution costs, making a company compete with itself.

In Detroit, 27 dairies buy their milk from the Michigan Milk Producers' Association, pay for it according to its use. Milk sold as fluid milk costs the distributor about $2.50 per cwt. or 5.37¢ per quart. Milk purchased in excess of fluid milk sales costs $1 per cwt.

### Base and Surplus Plan

Farmers belonging to the association are paid on the "base and surplus" plan, which is supposed to provide a more even supply throughout the year and reward farmers whose production follows demands. Because of the present surplus of milk in relation to sales, many distributors feel that the plan is not the best solution, suggest buying on a flat basis. Distributors using the base and surplus plan now supply 70% of Detroit's market.

The present retail price is 12¢ a quart, a 2¢ reduction since Jan. 31, 1930. This amounts to a reduction of 93¢ per cwt. which the milk distributor has taken in his sales return. On the basis of fluid milk, the producer is getting only 50¢ less, and for all milk 72¢ less. Distributors contend, therefore, that the charge that they have not passed along savings to consumers is untrue.

In Detroit as in other cities there is a trend toward store distribution. With the rise of apartment house living and movement of food stores into residential sections, milk has become an important article of store trade. As a result, the milk distributor competes with himself; milk sold by the stores competes with milk delivered to homes.

Consumers buy milk at stores when away at delivery time; when without refrigeration; when an extra supply is needed; because prices are lower. Most consumers want their milk delivered, therefore retail wagons must be kept on the street. Store sales increase wagon costs.

### Underselling the Wagons

If milk distributors could prevent stores from selling at less than the wagon price, retail sales would increase, unit costs decrease, and the cost of milk to community be lowered. They say the legal handicap which prevents the milk distributor from enforcing re-sale price maintenance forces the majority of consumers to pay more for their milk.

The cost of delivering milk to stores has decreased much more than that of delivering to homes. This, with cheap sources of supply, has attracted more competition for the general distribution companies.

To solve the problem of handling bottles sold in retail stores, the Dairy Products Container Co. was organized

in September, 1930, by members of the Dairy Products Research Bureau. It owns all store bottles and leases them to members. A deposit of 3¢ is required from the storekeeper and in turn from the consumer. This plan has given small dealers the advantage of large-scale buying and has effected a material reduction in bottle costs.

The Dairy Products Research Bureau has 37 members in the metropolitan area. It functions as an economic research agency as well as a trade association, makes cost studies of country station operations, transportation, processing and bottling, delivery and administration and overhead. It also keeps tabs on the milk supply and reports on economic and local market conditions, and represents the trade in negotiations with milk producers.

The large companies, including the 4 nationally-owned chain companies, have urged the Detroit Board of Health to cooperate in preventing milk's being shipped to Detroit from new sources of supply. Milk cannot come into the city without approval of the board, but the city's inspectors approve all farms that meet sanitary requirements.

# Louisiana's Mr. Fenner Shows Michigan Merchants the Way

COMPLICATING the whole Detroit retail situation—with special attention to the milk trade—is one C. V. Fenner, whose loud attacks on the chains have gained him fame and followers.

A heavy-jawed and vigorous fellow, he learned his trade at the microphone of none other than "Anti-Chain" Henderson of Louisiana. Equipped with a resonant voice and a talent for showmanship, he forsook the parish of his master for the brighter prospects of Michigan.

There he organized the Home Defense League, which his opponents call a racket, but which he himself calls a "militant, semi-political" organization. In less than a year and a half, this association of independent retailers has acquired a membership 6,000 strong.

Despite the active opposition of merchants' associations and chain stores all over Michigan, this Mr. Fenner came within an ace of pushing through a bill for a graduated sales tax last spring. This tax would have imposed higher taxes on the higher volumes of business, was particularly directed at chain and department stores.

Unfortunately, Governor Brucker made public a letter from Mr. Fenner offering the votes of league members and a $10,000 campaign contribution in exchange for the governor's influence. The bill's excellent prospects vanished suddenly.

The league, however, forgave Mr. Fenner this regrettable indelicacy, elevated him from secretary to president.

### Creditor Persuasion

In Flint, the city was giving grocery tickets to the unemployed; as good as cash, most of them found their way into chain stores. Just before election, league members called in their credit customers; they saw the point, a city commission friendly to the league was elected, and independents were assured of the business.

In Detroit, famous for its dole, the milk trade of the unemployed is a rich retail prize. The Public Welfare Department buys milk tickets at 10¢ each from the Dairy Products Research Bureau (the associated milk distributors). Each is good for a quart of milk at any dairy.

Mr. Fenner proposed that the city pay 8¢ a quart-ticket, market the milk—without profit—through his league, thus providing member stores with an ideal "loss leader." Producers added their voice, claimed they got less for their milk although retail prices were high. Forced by the legislature, Governor Brucker appointed a commission to investigate milk prices.

Latest accomplishment of the league is a city ordinance in Detroit which limits the fruit and vegetables to full, 4-walled buildings, eliminating the curbstone stands and vacant lot tents and booths which have been underselling the stores.

Acme

MIDTOWN MANHATTAN—*This unusually clear view, shot from the top of the Empire State building, shows the great change which has taken place in the midtown skyline. Most of the taller buildings are newcomers. At the left, Fifth Avenue—a black slot, runs north along the Park; at the right is the East River and Long Island*

# Lumbermen Report Progress But Still Have Long Way to Go

CANVASSING every logger and lumber manufacturer in Oregon and Washington, in an extended survey, a committee of the West Coast Lumbermen ascertained these facts:

Stocks on the West Coast were 1,949 million ft. Jan. 1; are now 1,773 million. This inventory, excessive for a 40% market, is still the heaviest handicap to prices.

Orders have run 489 million ft. for 3 months; production has run 468 million. Production will decline to 440 million, about 35% of capacity, for the next 5 months.

**60% Unemployed**

Unemployment is serious. Of 1929 employees, 60% are out of work; 28% more are on part time; 12% on full time. Lumber normally represents 65% of total industrial employment in the two states.

The association recommends that operators:

(1) Keep the cut currently under sales actually made; (2) progressively reduce the stocks on hand; (3) maintain a minimum employment for workers of 30 hours a week, and by staggered shifts or otherwise, spread the amount of work done over the largest practicable number of men.

**Recommendations**

The committee strongly urges:

(1) Completion of collective sales organizations embracing the entire product of the West Coast sold on the Atlantic seaboard; (2) the creation of not to exceed 3 collective sales organization for the California coastwise markets; (3) active development of sales organizations for the rail trade; (4) Adoption by every West Coast sales office of firm price lists in every market served, and strict adherence to them.

## West Coast Rail Freight For Apple Crops Settled

RAILROAD competition for the Pacific Northwest's apple business, which for a time threatened to upset the export trade in this commodity, has been settled. Its outcome is a reduction of freight rates on apples from Washington's Yakima and Wenatchee districts and the re-establishment of the same differential between rates to Seattle and Portland, Ore., as existed before the fight.

The controversy was precipitated several weeks ago when, at the behest of shippers and because of truck competition, the Great Northern cut the rate on apples from the Washington districts to 22½¢, as compared with the former rates of 28½¢ to Seattle and 38½¢ to Portland. Other carriers followed suit, with the result that, despite the longer haul to Portland, this port came to enjoy the same rate as Seattle.

The reduction in the Portland rate created a great uproar among the shippers to Seattle. The Interstate Commerce Commission suspended the new rates, but this only complicated matters further, as it upset the shipping arrangements made on the new basis. The situation became so serious that many shippers threatened to buy trucks and abandon the rails entirely.

As a result of the settlement made by the I.C.C., Seattle and Portland are again on the same relative parity as in the past, but with the rates established at 22½¢ to Puget Sound and 32½¢ to the Oregon port. Under the revised tariff, freight trucks cannot compete successfully with the rail carriers.

The movement of apples is expected to be of large proportions this season. If the government's forecast of 218 million bu. proves correct, it will be the biggest crop since 1926. The apple crop last year amounted to 164 million bu.; but 5-year average (1925-29) was 174 millions.

## Anti-Trust Prosecutions Drop Off Noticeably

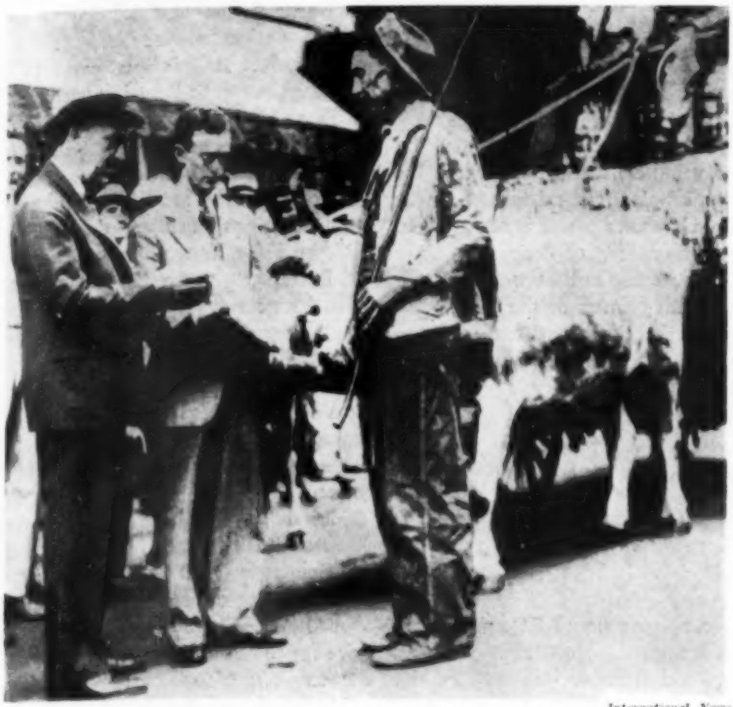
A MARKED decline is noted in the number of anti-trust prosecutions, but Attorney-General Mitchell denies there has been a let-up in the enforcement of the law.

During the year ending June 30, only 5 new anti-trust suits were opened by the government, as compared with 13 in the preceding year. Probably the most important is the Sugar Institute case, instituted on charges of price fixing, to be litigated next January. Others involve the Bolt, Nut & Rivet Manufacturers' Association; the Asphalt, Shingle & Roofing Institute; the West Coast Theaters, accused of a motion picture monopoly; and Duffy, Mercer and others of New Jersey, on ground of interstate commerce violation in the trucking of building materials.

At the beginning of the year, 35 antitrust cases were pending. During the past year, 21 cases were finally determined, 19 left pending.

Underwood & Underwood

BOULDER DAM "BEN HURS"—*On the road job which will connect the dam with the outside world, these great wide-wheeled chariots rumble up and down, carrying some 17 cubic yards in a single load*



International News

COTTON FOR CASH—*An Atlanta store went on the "cotton standard," offered to accept it in payment for merchandise. J. L. Ellison (right) hitched up his oxen, brought in his bales to swap them for supplies*

# Own Product Lines No Limit On Search for New Profits

## Batteries are linked with silencers, radios with stokers and ironers, pianos with refrigerators

IMPORTANT manufacturers who have found that diversification of products turns red-ink figures into black report new items no longer need be limited to the same line.

Burgess Battery Co., large manufacturers of dry batteries, employs the sound-absorbing qualities of a lightweight clay, has developed a straight-through type of muffler for internal combustion engines, so constructed that back pressure into the cylinder is eliminated but satisfactory silencing is effected. Engineers of Pierce Arrow, Packard, and Chrysler-Imperial have approved its adoption as standard equipment.

### Room Silencers, Too

To capitalize the increasing demand for a device that absorbs street noises but permits efficient ventilation of room or office, Burgess employs the same clay in its "Mountainair" console. This is so designed that it can be installed on any type of window and for any size room or office.

Separate sales departments are maintained to promote the sale of these products.

Crosley Radio Corp. no longer confines its production to radio receiving sets, is producing popular priced labor-saving devices for the home. A mechanical furnace stoker has been placed on the market, designed particularly for small houses. It retails at $175. The Crosley Moto-Iron, now in production, sells for $69.50, is designed to make it possible to iron small and fancy pieces while sitting down, employs a new principle in that the electric ironing unit is suspended in a stationary position while a vibrating base brings the material up to it for smoothing.

Crosley hopes that radio dealers will take hold of these products to remove the summer dip from their sales curve.

Rudolph Wurlitzer Co., 75-year-old manufacturer of pianos, organs, and musical instruments, employs part of the facilities of the Mohawk Corp., acquired in 1928, to produce the Mohawk electric refrigerator, providing two zones of temperature within the cabinet, one for freezing ice, desserts, etc., the other for storage use. Wurlitzer also manufactures at the Mohawk factory the Lyric super-heterodyne radio set selling at $49.50.

## American Woolen Wins On an Economy Appeal

IN the search for new products with an economy appeal to open the purses of buyers who betray a somewhat languid interest in old ones, the American Woolen Co. has made what it thinks is a find. A motor robe, by design and color, advertised and priced low enough to serve also as an extra bed covering is now making heavy sales to department stores and automotive supply dealers alike, while some Detroit automobile manufacturers are reported to be considering its inclusion in the standard equipment of certain closed car models. A month ago the department now making these robes was working only two 8-hour days a week; today it is going strong on three 8-hour shifts a day, 6 days a week.

Hitherto, finer grades of motor robes have been imported, sold at comparatively high prices, found a limited market. The double-service idea has rarely been exploited. Blankets of a style and quality that could be used in motoring have been too expensive for wide popularity. American Woolen Co. has its new line down to a mass production cost of $2.55 for a 2¾-lb. robe, 54" x 72", and $3.75 for a 4-lb. one, 60" x 72".

In this and other new products now being developed to employ increasing totals of the company's long-idle production capacity, the woolen trade sees the influence of "A.W.'s" new merchandising management (*BW—Dec 17'30*).

## Spring Wheat Scarce, Price Rises Sharply

WITH the greatest surplus of wheat that America has ever had, there is a real shortage of hard spring wheat available for marketing.

The crop of spring wheat will be the smallest since 1910. Heat and drought during August reduced the forecast

from 118,402,000 bushels indicated Aug. 1 by 8 million bushels.

The 1930 crop of spring and durum wheat was 251,000,000 bushels, which was considered a short crop. In some years the totals exceed 300 millions.

As a result of the shortage, Minneapolis prices have advanced sharply while Chicago, which deals in winter wheat, has been making new lows. The spread between the Chicago and Minneapolis prices (15¢ to 17¢) is the greatest in history.

Millers and other buyers have advanced their bids. Sales of spring wheat as high as 72⅝¢ a bushel have been recorded.

O. P. B. Jacobson, in charge of the Minnesota grain departments, says there never has been a surplus of spring wheat. The present shortage proves the greater value of the spring wheat for milling purposes. The mixture of spring wheat with winter wheat is necessary to improve the quality of flour.

The wheat crop will be worth $1 million more to farmers of the Northwest, estimating the crop for that territory at 80 million bushels, than if it had been sold a month ago.

# Solid Carbon Dioxide Enters Soda Fountain Field

SOLID carbon dioxide ($CO_2$), employed extensively as a refrigerant, particularly by ice cream manufacturers, has applied for a job held by another member of the family—liquid $CO_2$, now used almost exclusively for carbonating beverages at bottling plants and soda fountains. Backing the application is the argument that it can do the work more cheaply and with less trouble for its employers.

Liquid $CO_2$ is handicapped by the fact that it has to be bought by 50-lb. lots in steel cylinders weighing over 100 lbs. empty, involves much handling in charging plants, in transit by truck or railroad, and at the point of use. Companies supplying liquid $CO_2$ must carry heavy investments in these cylinders. Bottlers and fountain operators require a reserve supply which, added to the units in service, builds up a ratio of over 2 cylinders idling for one in active use.

Commercial bottlers using $CO_2$ in large quantities represent a satisfactory market for the liquid product; so do exceptionally active soda fountains. But the average fountain, buying its 50 lbs. only once in 4 to 6 months, presents a tough problem.

To solve it and to make the bigger customers more profitable, solid $CO_2$ proposes that the cylinder be made a permanent fixture at the point of use and be periodically refilled with the solid product, which can travel in a cardboard carton or light insulated shipping case or truck body, will liquefy in the cylinder, and as it does so will build up the pressure needed for carbonation.

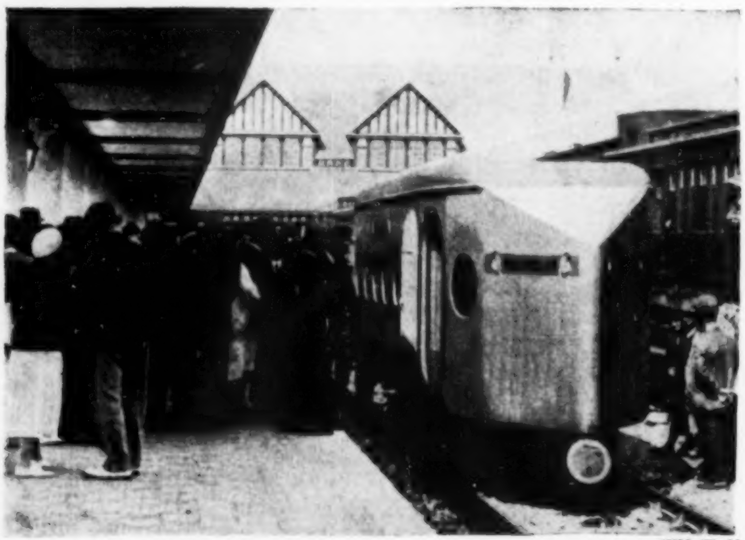
Two companies are in the field with carbonating equipment using solid $CO_2$.

Carbo Frost, Inc., offers liquefiers of 150-lb. capacity to bottlers without cost in exchange for the exclusive right to supply them with solid $CO_2$. It has already installed over 300 in the New York area, and reports a steadily increasing demand, at the rate of over 15 conversions weekly.

DryIce Corp. of America has now entered the market with a 150-lb. "Liquidor" which it proposes to offer bottlers either for outright purchase at approximately $100 on cash or installment terms or on a rental basis, or as a loan to be carried by collecting a higher price for the solid $CO_2$. For small users DryIce offers a 50-lb. Liquidor at $50.

Manufacturers of $CO_2$ not directly interested in marketing equipment for its use are cooperating to develop this new field. Experience has shown that ordinary solid $CO_2$ is not always suitable for carbonating purposes, as the process by which it was originally made as a by-product may leave an odor noticeable upon re-liquefaction. Plants employing a washing process before solidification are obtaining the bulk of the volume developed in this new field.

DryIce Corp. is continuing its development of new $CO_2$ appliances to enlarge its market. Ice cream and bulk milk cabinets are now in production. Refrigerated trucks are growing in popularity, one large meat company having just ordered a fleet of 125. A few refrigerated railroad cars are in service. The company now has 29 distributing stations in large cities.



Wide World

RAIL CAR—*Another of the Michelin gasoline-powered, pneumatic-tired cars leaves Deauville for Paris. It cut 21 minutes off the usual express time. There are 9 types of these cars undergoing tests, some with trailers, designed to speed up schedules, cut operation costs* .

## Plan to Put Taxicabs On National Brand Basis

THE Parmelee system, largest operator of taxicabs, is now planning extension of its service to small cities over the country. It will use merchandising devices proven in the larger towns under the racking test of slump conditions.

Parmelee is a direct descendant of Chicago's Yellow cab system. It is the only company operating in more than one big city. Its 10,000 offspring haunt the streets of New York, Chicago, Pittsburgh, Cleveland, Minneapolis. All cabs are Checkers and that corporation

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You have ambitions which you hope to realize. You know just how far you would like to go in protecting your future and that of those you care for most.

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## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.

is a large stockholder in the Parmelee system.

A taxi is as old as its mileage. Parmelee amortizes the $2,000 cost of a cab at 50,000 miles a year, charging it off in 3 years. By transferring used cabs to smaller cities the company figures on giving better service than they now have, while making way for new cabs in the metropolitan towns. Intelligent merchandising, they hope, will make their Yellows the national standard.

Explaining the program, E. S. Higgins, who is Parmelee's vice-president and general manager of operation, says, "In Chicago the words 'Yellow' and 'taxi' are interchangeable. We plan to make that true of the Parmelee brand in other towns where we operate."

**What the Public Wants**

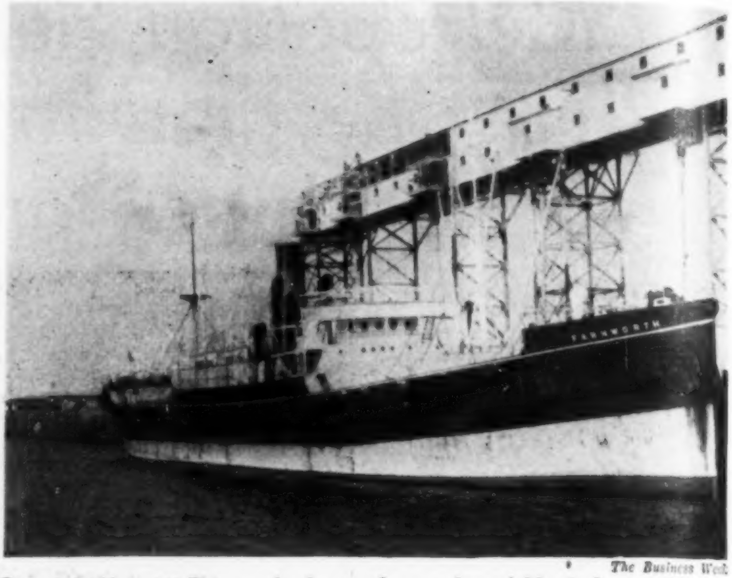
The management found that the public is interested primarily in 4 things: (1) responsibility of the operating company for damages, etc.; (2) lowness of price; (3) smart appearance of cab and driver; (4) careful handling. On these points the selling drive is centered. The public is reached through newspaper advertisements and by making each cab and driver a sales aid. In New York the problem is to induce a taxi-riding public to use Parmelee, in Chicago to induce the public to make greater use of taxis. Since not all the Parmelee cabs are yellow, emphasis is placed on a trademark outline map of the U. S. displayed on each vehicle.

Some day they hope to have all their cabs the same yellow color. In Chicago they enjoy exclusive use of that shade, also in Minneapolis. In Pittsburgh nearly all are yellow. But in Cleveland and New York anybody with a can of paint and a brush can convert a broken down hack into a counterfeit Yellow.

**Picking Drivers**

New York, where the taxi situation is wide open, is the best laboratory for merchandise experiment. Here Parmelee has psychologists to aid in selecting good drivers. Colored men are found to be better average producers than white. They are more ingratiating, don't take chances because they feel they won't get a break from a white judge, are more patient in waiting at stands for fares—and enjoy an intangible good-will from the broadcast of Amos and Andy's Fresh Air Taxi Corpolation. All drivers are aided by advice from headquarters.

That such ideas pay is proven by checkers who count loaded cabs passing busy corners. While Parmelee's 4,500 taxis are 19% of New York's total, they carry 29% of the passengers.



The Business Week

CANADA'S NEWEST PORT—*At the northeast edge of Manitoba, on Hudson Bay, is Churchill. Last year a dot on the map, it now boasts a 2 1-2-million-bushel grain elevator, a dock long enough to handle 4 ships. Dredging of the harbor is almost completed. Here is the "Farnworth," one of the 2 ships which filled up with wheat, sailed out through Hudson Strait for London. Next year, the Hudson Bay Mining & Smelting Co. will import coal and equipment through the new port*

# Railroads Pay $1.01 to Collect $1 From Passenger, Says I.C.C.

RAILROADS boast of the quality of their passenger service but seldom of its profits. Popular opinion guesses that they lose money on passengers, make up the loss on freight. Few figures have been published by the roads.

Now, in connection with their appeal for an increase in freight rates, the Interstate Commerce Commission has compiled its own figures in a 122-page analysis of passenger traffic from 1924 through 1930 with incomplete data from 1931.

It finds that, to earn a passenger dollar in 1930, the country's major railroads paid out $1.012, against 83.2¢ in 1924, and 90¢ in 1929.

Regional averages on passenger operating ratios (cost of service to revenues) and specific figures for leading roads in various regions make interesting reading. They show:

East—average, 90.24; New Haven, 69.2; New York Central, 77.3; Pennsylvania, 85.8; B. & O., 130.4; Lehigh, 102.2; Erie, 114.7.

South—average, 116.92; Illinois Central, 100.7; Louisville & Nashville, 123.9; Southern, 99.4.

West—average, 112.17; Atchison, 95.6; Burlington, 107; Rock Island, 106.7; Missouri-Pacific, 119.6; Southern Pacific, 91.3; Union Pacific, 100.3, Great Northern, 126.4; Milwaukee, 129.9; Northern Pacific, 148.9.

**Car Mileage Higher**

The rise in cost of passenger traffic found in the analysis is accompanied by an increase in the mileage of the sleeper, parlor, observation, and dining-cars, as railroads put on more cars and stepped up their service to attract patronage. Combined totals show that the carriers cut train-miles from 552 millions in 1924 to 485 million in 1930. Passengers (excluding commuters) fell from 493 millions to 265 millions. But, while there was a slight shrinkage last year, total Pullman and dining-car mileage rose 25% from 1924 to 1929, to double the increase in Pullman surcharge collections on some roads.

New York Central's Pullman surcharge revenues went up 25% in the period, its Pullman and diner miles 50%, its passenger load per car dropped from 18 in 1924 to 14 in 1929. Pennsylvania Pullman traffic, 1924-1929,

# Must the ADVERTISER *Hold the Bag* *in face of declining prices?*

**COMPARE**
***With Any Other Magazine***

**HOW MUCH?**

Liberty averaged 2,401,416 weekly circulation for 1930, 2,411,612 for the first half of 1931.

**WHO?**

Liberty is deliberately edited for *both* men and women. It is read by 2,750,000 men and 3,009,000 women. Result records have been broken for men's and women's products alike.

80% of all Liberty families above $2,000 income class
65.8% U.S. average

52% own homes
37% U. S. average*

84% have telephones
39% U. S. average

58% have radios
46% U. S. average

50% have vacuum cleaners
37% U. S. average

34% have electric washers
29% U. S. average

15% have mechanical refrigerators
8% U. S. average

**In cities covered by Starch Survey*

**WHERE?**

Liberty concentrates three-quarters of its circulation in cities over 25,000 population. Liberty places more circulation here (where major part of all retail business is done) than any other magazine.

**HOW READ?**

Liberty is wanted enough by its readers, that 99% of them buy voluntarily week after week. No expensive subscription crews are necessary to sign up readers 6 months or a year or two in advance. 99% single copy circulation is 99% guaranteed-to-be-read circulation.

Then, instead of burying 90% of its advertisements after the start of the *last* story, Liberty alternates advertisements and story leads throughout the book. Surveys show this nearly doubles readers-per-advertisement.

THE YARDSTICK OF CIRCULATION QUALITY

COMMODITY prices have dropped 30 per cent. You get somewhere around that much less for what you sell.

Must you pay as much as you did before for what you buy?

Of course, many magazines have justified their failure to follow the price trend by making expensive editorial improvements. And the justification may be sound.

But Liberty's cost has declined 35 per cent since 1926 — and beginning January 2nd, 1932, Liberty will spend over a quarter-million dollars more a year in the interests of a more attractive magazine.

### *A Timely Move*

At the peak of a circulation success unequalled in publishing annals, Liberty was acquired last April by Macfadden Publications, Incorporated.

The first announcement was that the winning editorial formula of dramatic, newsy, concise material by famous authors and artists would be retained. And even stepped up to the tune of $100,000 more a year. But the second announcement betokened a move that would have striking interest for advertisers.

Paper and printing were to be radically improved.

Now, two distinct steps in this direction have already been taken. And recently the third was indicated by press dispatches telling of the largest quality paper order ever placed by a single magazine. Involving an expenditure of $160,000 more, a year.

This latest advantage will be apparent in the issue of January 2nd, 1932.

### *What Advertisers Get*

This season advertisers everywhere are putting Liberty on their desks for consideration.

They are finding that their dollar buys:

| | |
|---|---|
| Liberty | 565 families |
| Average of 3 other Weeklies | 377 families |
| Average of 2 Monthlies | 391 families |
| Average of 6 Women's Magazines | 286 families |

Faced with the problem of matching Post-Depression profits with Post-Depression advertising value, they find that the Liberty dollar gives them:

- 50 per cent more families than other Weeklies
- 45 per cent more families than Monthlies
- 98 per cent more families than Women's Magazines

### *What They Are Doing*

That advertisers welcome the opportunity of enjoying for themselves the increased value that they have already passed on to the consumer may be seen from this statement: Within 60 days of the announcement of new management, 92 advertisers and 58 agencies had placed $1,521,677 in new Liberty orders.

And from the rate at which new orders arrive as the main list-making season approaches, it would seem that fewer and fewer advertisers are going to be content to hold the bag so long as this major medium offers them a way out.

*Write without obligation for booklet: "To every man with $1 to spend in advertising." Liberty Magazine, 2744 Graybar Building, New York City.*

**AMONG ADVERTISERS NOW APPEARING IN LIBERTY**

American Safety Razor Corp.
American Tel. & Tel. Co.
American Tobacco Co.
Axton-Fisher Tobacco Co.
B. V. D. Co.
Barbasol Co.
Bauer & Black
Beech-Nut Packing Co.
Borden Co.
Bristol Myers Co.
Brown & Williamson Tobacco Co.
Chesebrough Mfg. Co.
Chi., Mil., St. Paul & Pac. R.R.
Chrysler Motors Corp.
Cluett-Peabody & Co.
Coca-Cola Co.
Columbia Pictures Corp.
Crosley Radio Corp.
R. B. Davis Co.
Jos. Dixon Crucible Co.
Encyclopædia Britannica, Inc.
Ethyl Gasoline Corp.
Florida Citrus Exchange
General Motors Corp.
Gillette Safety Razor Co.
Alexander Hamilton Institute
Hewes & Potter
Hinze Ambrosia, Inc.
Chas. E. Hires Co.
Houbigant, Inc.
Indian Refining Co.
International Mercantile Marine
Jantzen Knitting Mills
Johnson & Johnson
Kellogg Co.
Kolynos Co.
Kress & Owen Co.
Lambert Pharmacal Co.
Larus & Bros. Co.
Lever Bros. Co.
Liggett & Myers Tobacco Co.
Mennen Co.
Philip Morris & Co.
Northwestern Yeast Co.
Norwich Pharmacal Co.
Parker Pen Co.
Pepsodent Co.
Pompeian Co., Inc.
R. C. A.-Victor Corp.
R. J. Reynolds Tobacco Co.
A. G. Spalding & Bros.
Stanco, Inc.
A. Stein & Co.
Texas Co.
Vapo Cresolene Co.
Veldown Company, Inc.
Wander Co.
G. Washington Coffee Co.
L. E. Waterman Co.
R. L. Watkins Co.
Western Clock Co.
W. F. Young Co.
Zonite Products Corp.

Liberty . . . *a weekly for the whole family*
PRICED FOR *POST*-DEPRESSION

rose 10%, its car-miles nearly 30%, while average loading declined from 17 to 12. New Haven with 25% more Pullman patronage in 1929 had pushed car-mileage up 37% from 1924, was carrying a high average of 23 to 28 passengers per car.

Out west, the Chicago & North Western ended the period running 25% more Pullman and diner miles to handle 7% more business. But Great Northern, with a 30% growth in Pullman travel for the 6 years, increased Pullman car miles only 11% and actually reduced dining car miles. Northern Pacific, faced by a drop in Pullman patronage, cut its car-miles proportionately. In 1930 both roads averaged fewer than 10 passengers per car. Santa Fe, Southern Pacific, and Union Pacific raised car mileages in about equal proportions, in each case in excess of the gain in Pullman traffic.

**Criticize Analysis**

Railroad executives who have seen the I.C.C.'s analysis, baring passenger operations as never before, admit the accuracy of its revenue, mileage and loading figures but balk at its cost system. Example: Ralph Budd, president of the Great Northern, credited with an operating ratio of 126.4 says: "It is a fallacy to deduce that, because a train costs 125% of its earnings, money would be saved by taking it off. It may earn enough to contribute substantially to overhead costs which would be necessary whether certain passenger trains operated or not. Into the commission's cost analyses are allocated numerous charges such as maintenance of way, executive salaries and other items which would be necessary in whole or in part if there were no passenger service at all."

Others insist that even if the I.C.C.'s allocation of expenses is passed, 1930 passenger operating ratios are misleading since the slump hit many roads too quickly to bring in that year the cut in service that is beginning to show in the curtailed Pullman car mileages of 1931.

**Sought New Business**

In any event, the facts are not so unfavorable to the carriers as they appear on superficial reading. The railroads say they have only done what any good merchant would do—endeavored to create business by providing every possible refinement of service. If they have failed—and the past 2 years are not a fair index of the travel habits of the public—they can restrict their passenger services and charge off the past losses to pioneering work. If they have succeeded, they expect that success to be demonstrated when general business revives. Perhaps excessive competition has darkened the picture and distorted the policy but that, too, is a concomitant of hard times.

# Merger Seems Only Way Out For Canada's Harassed Rails

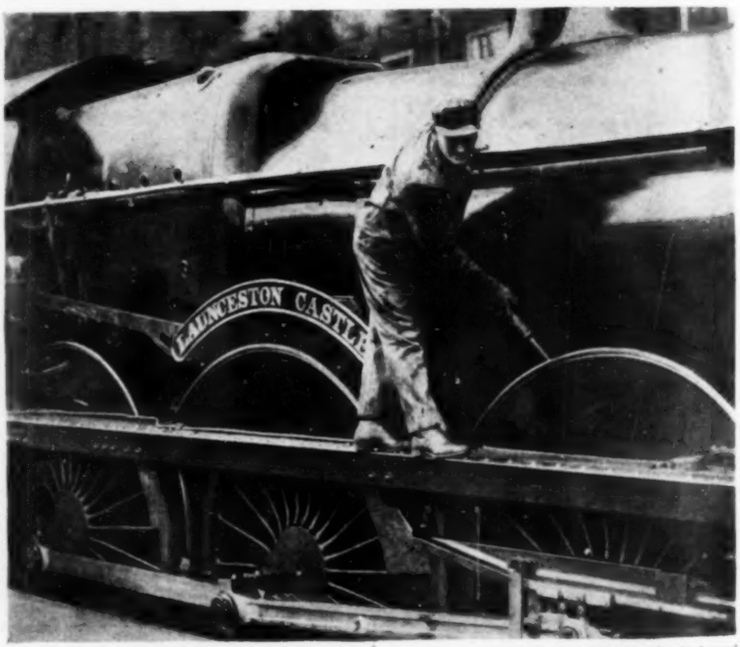
## Service duplication and highway competition play familiar rôle in losses of C.N.R. and C.P.R.

OTTAWA (*Special Correspondence*)—Canada is frankly worried about the serious difficulties of its 2 great railways. Last year the Canadian National failed by $29 millions to earn its fixed charges, to say nothing of interest on its debt to the government. At the same time the Canadian Pacific cut its dividend from 10% to 5%. This year's gross earnings on both railways are running $1 million a week behind 1930. Canadian National will be unable to pay any of $55 millions interest to the public and Canadian Pacific is expected to pass its dividend.

Both railways are fighting to meet reduced earnings by decreasing expenditures and operating costs. Salaries and wages have been cut, services curtailed, duplication of services and competition reduced. But it isn't enough. The country is looking to Premier Bennett for a more drastic remedy.

Mr. Bennett is likely to act. He realizes the seriousness of the situation. The continued deficits and capital requirements of the Canadian National, whose borrowings for capital are guaranteed by the government, are placing too great a burden on national finances. (A $25-million bond issue placed in New York 3 weeks ago had to be offered to yield 4.65%.) The economic interests of the country are vitally involved in the condition of the Canadian Pacific.

If there is time for it the Prime Minister may adopt a recommendation of the special parliamentary committee which recently conducted the annual scrutiny of C.N.R. affairs and appoint




Underwood & Underwood

SPEEDIEST IRON HORSE—*Will Street, pilot of the "Cheltenham Flier," fastest train in the world, oiling up the speedy engine at Paddington station, London, where it begins its famous run to Swindon—a distance of 77.3 miles—in 67 minutes, an average of 69.2 miles per hour*

a royal commission to make a survey and examination of the whole transportation situation—rail, water, highway. Sir Henry Thornton, C.N.R. head, urged this course and Parliament approved. But quicker action may be necessary.

The remedy most likely to be tried in the end is the merging of the 2 systems for purposes of administration and operation, with a consequent elimination of all competition and duplication.

### Merger Old Plan

This was recommended by a special committee of the Senate in 1925, when conditions were better than now. Its plan called for management of both by a board of 15 directors, 5 named by the government, 5 by C.P.R., and 5 chosen by the first 10. It proposed that C.P.R. be guaranteed an agreed dividend on its stock, that C.N.R. be recapitalized from the point of view of earning capacity, and that in the event of the joint management producing a surplus a dividend similar to that guaranteed the C.P.R. be paid the government on the new capitalization of the C.N.R. After payment of these dividends surplus earnings would be divided between the 2 systems in proportion to valuation.

More than half the C.N.R. capitalization is in liabilities to the Dominion government. The debt to the public and the C.P.R. capitalization would make together about $2 billions on which the 2 systems under joint operation would have to seek to earn interest and dividends.

### Problem Serious

The difficulties of the railways, as in the United States, go beyond the general economic depression, and a return of general prosperity would not, it is felt, solve the problem. Competition of buses, trucks and private automobiles is becoming in Canada proportionately as pressing as in the United States. And while government is worrying about the condition of the railways it is assisting the competitors of the railways by contributions to national and other highways. Sir Henry Thornton has urged heavier taxation, speed limits and other restrictions for trucks and buses.

In the 8 years since the C.N.R. was organized $400 millions have been added to its investment for construction and acquisition of lines, terminals, hotels, equipment, and in that period it has fallen short by $86 millions of meeting interest on its indebtedness to the public (and, of course, paying nothing in interest on indebtedness to the government). Net profits last year were no greater than eight years ago.

# They tried it...Time proved it

# Stromberg-Carlson

# prefers the paint that

Here the intricate operations of electrical manufacture are carried on in surroundings well lighted, immaculately clean. All interior walls, ceilings and steel work in ***Stromberg-Carlson's*** plant are painted with Barreled Sunlight.

Barreled Sunlight

## GUARANTEE...

**Barreled Sunlight, The Rice Process White is guaranteed to remain white longer than any oil gloss paint or enamel, domestic or foreign, applied under the same conditions**

Exterior view of the *Stromberg-Carlson Telephone Manufacturing Co.*, at Rochester, N. Y. For more light and lasting cleanliness, this plant is painted throughout with Barreled Sunlight. (Architect and Engineer, S. Firestone, Rochester, N. Y.—Building Contractors, J. B. Pike & Son, Inc., Rochester, N. Y.)

# remains white *longest* . . .

THE countless delicate operations necessary in the manufacture and assembly of fine electrical apparatus require, of course, a high degree of plant cleanliness and light.

To this end the Stromberg-Carlson Telephone Manufacturing Company painted all steel work, walls and ceilings a lasting white with 8000 gallons of Barreled Sunlight.

Preferred by Stromberg-Carlson, Barreled Sunlight is likewise the choice of Western Electric, Starrett, Spalding, Pepperell, Clicquot Club and many others, equally famous in the general industrial and food worlds.

## *The Choice of Leaders in Every Industry*

CLICQUOT CLUB COMPANY
GOLD DUST CORPORATION
DIAMOND MATCH COMPANY
THE PRATT & WHITNEY AIRCRAFT CO.
AGFA ANSCO CORPORATION
COCA-COLA BOTTLING CO.
GRUEN WATCH COMPANY
THE L. S. STARRETT CO.
CURTISS AËROPLANE & MOTOR CO., INC.
THE MENNEN COMPANY
WESTERN ELECTRIC COMPANY
PEPPERELL MFG. CO.
KELLOGG COMPANY
WM. WRIGLEY JR. COMPANY
LIGGETT & MYERS TOBACCO CO.
WRIGHT AËRONAUTICAL CORP.
THE ALLEN-A COMPANY
FLORSHEIM SHOE CO.

*and hundreds of others*

* * *

WHY do these noted leaders choose Barreled Sunlight? Because like Stromberg-Carlson, they have found that Barreled Sunlight best meets the four major requisites for a successful industrial paint: whiteness, light reflection, cleanliness and economy.

The secret and exclusive process used in Barreled Sunlight makes possible the guarantee that it will remain white longest. This is the answer to yellowing...the bugaboo of ordinary white paints.

Barreled Sunlight is smooth, dirt-resisting, washable as tile. Month after month, it keeps clean, white and bright. So smooth, so non-porous is it that no recesses catch and hold dirt.

These factors, in addition to Barreled Sunlight's tremendous "hiding power" and "ease of flow" (that save labor-time), spell the all-important economy of this pioneer white paint.

You are invited to write for the new booklet, "More Light with Lasting Cleanliness." Address U. S. Gutta Percha Paint Co., 1-J Dudley Street, Providence, R. I. Branches: New York—Chicago—San Francisco. Distributors in all principal cities. (For the Pacific Coast, W. P. Fuller & Co.)

# Barreled Sunlight

Reg. U. S. Pat. Off.

# Oil Producers Mass For Attack On Importers' Sherman Law Alibi

AFTER placing domestic output on a quota basis (*BW—Sep30'31*) oil representatives have hurried to the Capital. Officially they have gone to foster a worldwide conference of oil-producing countries to consider world restriction of output. Actually they hope to win administration support for further curtailment of oil imports by the Standard companies of Indiana and New Jersey, by Gulf and Shell.

These companies have cut imports after similar agitation last year but, says the industry, not enough to meet the 30% reduction in output agreed to at Oklahoma City. Action of Pan American, importing subsidiary of the Indiana Standard, will be of most significance. Other importers bring in crude oil which is used chiefly to fill fuel oil markets and all have tentatively agreed to accept a 50% cut in imports sought by the industry. Pan American imports quantities of gasoline and the industry is asking that this be barred.

### If Not Now, Later

Failing direct support in Washington, oil men plan to seek endorsement of the 20 oil-producing states for a program of import restriction and, with this backing, make another attack on Washington after Congress convenes. Secretary Lamont promises to examine the legal phases of the proposed plan; in short, to see whether the defenses of the Sherman Anti-Trust Law behind which the importing companies are entrenched, are impregnable.

Attorney-General Mitchell ruled against an oil embargo last spring. Secretary Mellon is reported as opposed to federal control over imports. Secretary Wilbur favors regulation of imports if domestic production is controlled. The President put his foot down against a conservation agreement shortly after he took office.

The oil industry is now in the dark as to what it can expect in administrative help in stabilizing the industry. Should Pan American sign a treaty to cut gasoline imports, it would expect in return administration help in fighting an oil tariff or embargo.

Business men generally are much interested in this latest attempt to get around the Sherman Act, especially since there is doubt whether the legislatures can be induced to appeal or change it despite its apparent economic obsolescence. The oil industry is not interested in how it is done so long as foreign oil is kept out of the country. There are grave doubts that either a tariff or embargo can be put across, thus leaving the solution to voluntary agreements among importers.

The Business Week

FRENCH MOTOR CZAR — *Andre Citroen, largest automobile manufacturer in Europe, who is coming here to attend the 8th Conference of Major Industries to be held in New York starting Oct. 21*

## Pan-American Conference Plans Customs Union

WHEN the 21 countries of the Americas assemble Oct. 5 at Washington in the Fourth Pan-American Congress, they plan to settle down to a serious discussion of trade barriers which will include everything from the price of tourist visas to excessive tariffs.

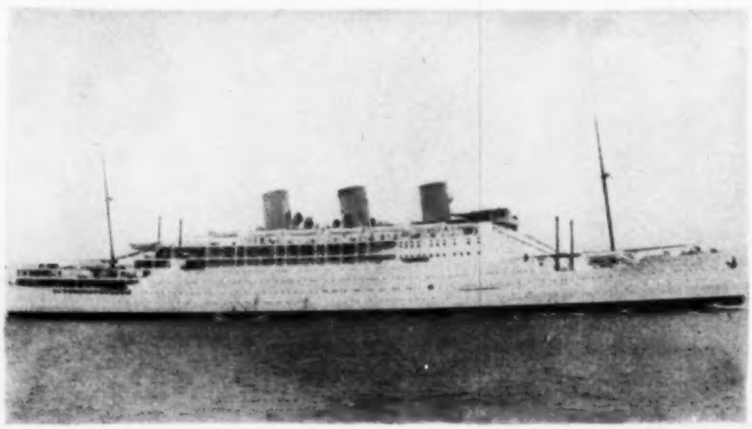
Crux of the discussions is likely to be a South American customs union similar to the one already existing among Guatemala, Honduras, Nicaragua, and El Salvador which allows these 4 countries a free interchange of products. Already proposed is a like arrangement for Argentina, Bolivia, Chile, Paraguay, and Uruguay, calling for a 20% reduction annually in customs duties among the 5. Duties within the group would be eliminated in 4 years.

Currency stabilization will be discussed, though more progress would be likely if the proposed world conference had been held first.

Not a little interest will concentrate on a program to encourage tourist travel in Latin America. Early arrivals already have studied with envy the elaborate table of tourist expenditures which shows Yankee expenditures in Argentina, for example, of only $6 millions the same year they reached $155 millions in Italy, $289 millions in Canada.

Mexico, with the road from the Texas border to Mexico City almost completed and tourist camps under construction, is set for a fresh drive to get Yankees south of the Rio Grande. Cuba, Venezuela, Chile are as alert, if less advantageously located.

Much may be accomplished at Washington. It remains to be seen how many concessions are actually made.



Underwood & Underwood

"ALL-ELECTRIC SHIP"—*The "Strathnaver," a passenger and mail liner built for the P.&O. line, as she arrived in the Thames from Clyde, where she was tested. Two turbine-driven electric generators provide the power that carries the ship along at the top speed of 23 knots*

# THIS INSURANCE

## DOESN'T COST A CENT

### Yet it may save you thousands of dollars

"FUGITIVE" RECORDS have no place in business. Yet contracts . . . business agreements . . . wills . . . checks . . . are often unknowingly *signed with ink which even a few drops of water will wash away.*

Glasses of water get spilled . . . windows are left open . . . fire breaks out (vaults that are fireproof often provide no protection against water damage).

Today most executives use fountain pens. "Fountain pen ink" must be supplied them. Many such inks are washable . . . "fugitive" inks.

*Now Carter offers a strictly permanent ink that yet flows freely, evenly, through the most delicately adjusted fountain pen. The name of this ink is Ryto.*

• • •

RYTO writes a deep blue. Gradually turns to an imperishable black. Water can't wash it out. Time can't fade it. Flows evenly whether you use a steel pen or a fountain pen. Keeps its brilliant initial blue indefinitely in the ink bottle, inkwell, or fountain pen . . . won't "go watery."

#### Here's an Interesting Fact . . .

There are two kinds of ink. One is a dissolved dye—which redissolves when water touches it. This kind of ink washes off easily.

The other kind is *a colorless liquid* to which dye has been added so you can see what you're writing. This liquid penetrates the fibres of the paper—"rivets" itself in . . . gradually turns black . . . makes a mark as permanent as the paper.

There's a place for each kind of ink . . . Carter makes both. *But signing important business records in washable ink needlessly risks losses of thousands of dollars.*

#### For Exacting Tastes

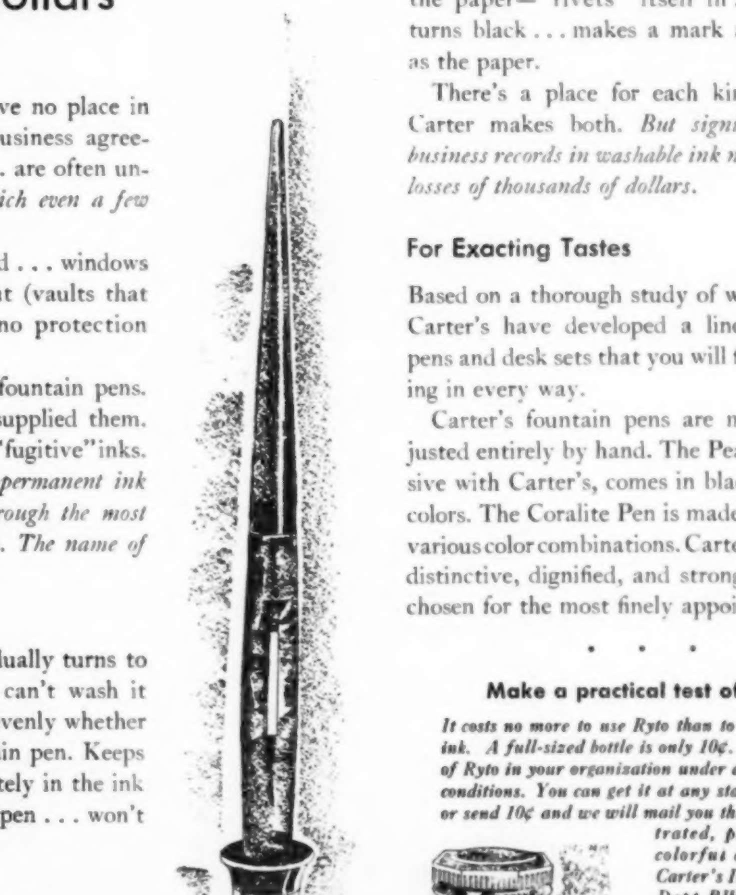
Based on a thorough study of writing habits, Carter's have developed a line of fountain pens and desk sets that you will find outstanding in every way.

Carter's fountain pens are made and adjusted entirely by hand. The Pearltex—exclusive with Carter's, comes in black, white and colors. The Coralite Pen is made in black and various color combinations. Carter desk stands, distinctive, dignified, and strongly made, are chosen for the most finely appointed desks.

• • •

#### Make a practical test of Ryto

***It costs no more to use Ryto than to use ordinary ink. A full-sized bottle is only 10¢. Make a test of Ryto in your organization under actual service conditions. You can get it at any stationer's . . . or send 10¢ and we will mail you the bottle illustrated, packed in its colorful carton. The Carter's Ink Company, Dept. BW-10, Boston, Massachusetts.***




**THE CARTER'S INK COMPANY**

*Wide World*

MR. DETERDING, MR. TEAGLE—*On the left, the wily czar of Royal Dutch Shell; on the right, the majestic Walter Teagle, amiable emperor of Standard Oil of New Jersey. The pose is prophetic: Teagle's rising importance in oil makes them greater enemies, closer friends*

# Teagle, of World Experience, Slated for Biggest Job in Oil

## Men who ought to know believe the big, virile Ohioan eminently fitted

SOME morning within 3 or 5 months, if all goes improbably and incredibly well, business men will read in the newspapers that "Walter Clark Teagle, president, was yesterday elected chairman of The Standard Oil Company (New Jersey)."

To the gasoline-consuming citizenry it will mean nothing; to the gasoline-purveying services, rank and file, it will mean a good man's promotion; to Wall Street glancers it will signify that the merger of California Standard with Old Jersey has gone through O.K., is sewed up solid, with exchange of shares pleasant to all.

### An Historic Vote

But to a very few less myopic persons the informally spoken vote in the walnut board room at 26 Broadway will have a momentous, a dramatic, an historic significance. What persons and why?

(1) The extremely exclusive club of the Great in industry will know that it means the beginning of the end of anarchy in the largest industry of the United States, which is to say of the world. The Sherman Law will there and then begin a gradual decline in its influence on oil. Oil will stop its twenty-year game of tennis between Inflation and Deflation and return to planning again. There will again be an Oil Trust. It will not own everything, but it will be the party in power of the economic parliament. It will be able to plan and it will be capable of doing so. It will especially be able to deal with the foreigner. It is possible that the professional gentlemen of planning are entirely mistaken, but that is what they will think, do think today. And they know their Walter Teagle.

(2) The equally exclusive and even smaller club of the Intelligent in politics will know that it signifies the belated end of the nineteenth century in national economic doctrine. The recently discovered fact that there are three bodies, rather than two, in the gravitational relation, Labor, Capital, and Management, will get written into the school books, and the equations of the new economic mathematics will start to be worked out and slowly applied. The new professor of this retarded branch of the national economy will satisfy the hardest head. He is an eminent proprietor, owner—hence responsible. He has been an illustrious laborer and an enduring one—hence human. He has demonstrated that he is an accomplished as he is an accustomed manager, hence worthy of amenable power over the midgets who have been shredding an industry. It is also entirely thinkable that these professional weather men of the ballot leaves read the winds of doctrine badly. But they, too, know Teagle.

### Attitude Proven

(3) The enormously larger but horribly disorganized society of the Good in sociology approve of Teagle, under reserves, as an experiment because of his proven attitude towards labor, towards the State, towards Humanity as represented by that large and cultivated part of mankind that has to buy American-produced and American-hauled petroleum products. He looks to them as if he were of labor rather than above it.

He physically went through it, all of it. He is a staunch minimum hour man, an endowment and insurance man, a paid vacation man, a sick leave champion, no wage cutter, a laborer-stockholder doctrinaire, a stagger-plan master, an arbitrator about every human thing.

To the State, viz., the Senate and People of America in committee form, he has ever told the truth, documents in bursting briefcase. To un-Americans and non-Americans of the forty-odd other lands where his company sells fuels and greases he is courteous, respectful, and loyal, perhaps because half of his business life has been passed among them.

### Knows Oil Map

He has not missed a spot on the oil map, which is the world map without the colors. Canada claims him. England cherishes his measured judgment, and France silently made him a Com-

mander of the Legion. Finally, the good sociologists probably know that Teagle added a number 4 item to the list of 3 unforgivable causes of instant discharge in the oil industry—i.e., drink, disobedience, and dangerousness to the lives of others. He appended cruelty to animals.

### Singularly Healthy Looking

For a great man of action Mr. Teagle is singularly healthy looking, normal of eye, glance, and gesture, handsome, loose, familiar, and nervously in tune. He is so natural that he might almost be a man asleep. His body looks like that of a younger Field-Marshal von Hindenburg and his head resembles that of Walter Lippmann. His upper cheeks are ruddy in an English squire tint, his eyes are kind but not worried, his teeth are enviably splendid, and his hair is just hair color. His hips are majestically large and his chest is grandiose, but he has no paunch. He walks with an imperial and military elegance that the vulgar would call a lumbering lunge.

His voice must be in the key of C because there are no sharps or flats in it. It has been alleged that he can boom and shout, but truth is that that is only over the telephone. The telephonic impression of Mr. Teagle as a raucous or thunderous personality is as erroneous as his photographic impression, in which his clothes look bad. In point of exactitude, his neglected duds are tailored with all the accent of Saville Row near New Bond street, only they are left unpressed to hang up and find their own masterly sculpture in the old English way rather than being laundered up stiff and stark in logical parallels.

### Typical Teagle

His shell pipes are old, and smell, but his larynx has not been coked up. His conversation, unlike that of all fame-conscious men except professors, is composed of thoughts, or what the French call general ideas, rather than of the mirrorings and spotlight posings that are the rule of the practically mighty when the hack professionals of the interview are examining them. Here is an attempt at a few examples of typical Teagle:

"Predictions have little influence on progress. If you ask if oil is not already becoming part of the chemical industry, the answer is 'yes.' However, this should not be taken to mean that chemical industries are growing more important and the oil business consequently less important, or that the latter industry is tending to become departmentalized as a branch of the former. I look to see the petroleum industry become the principal source of many important chemical products. For instance, it may supply our fertilizers through the production of hydrogen, and from thence to ammonia and nitrates. It should eventually become a much more important factor in the supply of alcohols. Since crude oil is a combination of hydrogen and carbons there are great possibilities through synthetic chemistry of building up many important chemical derivatives."

The boy Walt Teagle was the Ace in Chemistry at Cornell that the faculty's dean wanted to keep in his pedagogical and researching hand. But Teagle, Sr., crusty Cleveland oil refiner not yet sold out to Rockefeller, dissented. So the improvident student chemist, football team manager, and college editor learned to bed down the team of ageing greys that he drove, daytimes, in the delivery of then stable kerosene and then explosive gasoline.

Football strategist had to become dog fancier, world-renowned bird shot, quail preserver, champion salmon fisher. And *Cornell Widow's* best staff writer, makeup man and printer's super devil had to evolve into editor of *The Lamp*, the only house organ in the world that can afford a $150,000 a year man to edit it, write it, read its proofs, and put it to bed.

About Russia:

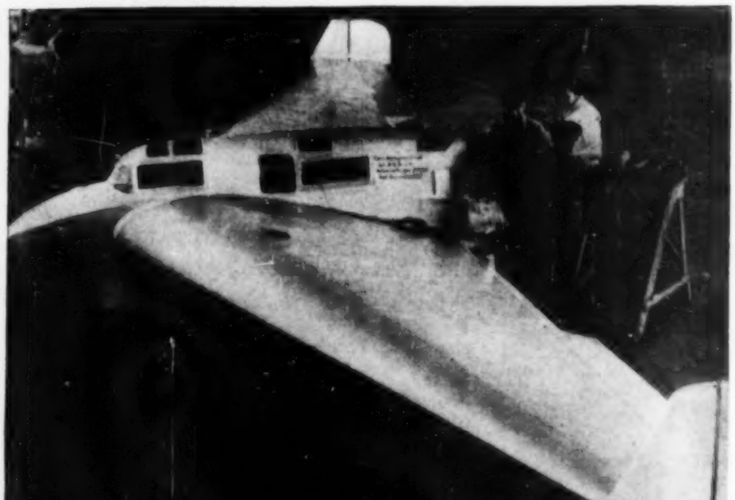
"There are vast stretches of Russia that have never been geologized, so that there is the possibility that eventually some new oil fields will be opened up there. The Russian experiment in government is in a state of flux and no one knows what form it will finally take.

"One thing I think reasonably certain is that either Russia will gradually return to the principle of individual property rights or the rest of the world will become Communist-minded. The two opposing systems cannot permanently endure in the family of nations.

### On Russian Oil

"I should expect that as the Russian people grow in experience they will demand the rewards of initiative, permitting the accumulation of possessions and the enjoyment of comforts. In that event, they will vastly increase their home consumption of petroleum products and there may not be an exportable surplus. There would be none now if the Russians were not practically denied the use of such products. It seems reasonable to expect that the Russian petroleum industry cannot continue indefinitely to sell without any regard to costs."

It was when refiner Teagle was sent from the Cleveland subsidiary to 26 Broadway by Rockefeller, Sr., that it was suspected that he had a touch of the rare diplomatic gift. So it was that subsidiary Anglo-American in London got him for sales, which meant international negotiations with Anglo-Persian, and Royal-Dutch, then rising



International News

JUST A FLYING WING—*Hermann Koehl's new "Manx" plane has rudder-tipped wings. Cutting off the tail saves weight, permits low-power engines*

like a comet out of the torrid southeastern sea.

Oil ambassador Teagle it was not who ever and anon got into heroic brawls with Deterding and Goulbenkian and Samuels. He is their friend of friends today, shoots Sir Henri's grouse from the costly Highland butts, just as Deterding tramps quail over Georgia preserves behind Teagle's priceless pointers.

### He Tells a Story

An anecdote:

"I saw a photograph the other day of a one-man petroleum business. A driller in East Texas brought in a small well and sold enough of his production to get means to erect nearby a small crude still. He piped crude from the well to his little refinery and gasoline from the still to an underground tank on a nearby road, where he dispensed gasoline to passing motorists. There are many thousands of operators who have become pretty nearly self-sufficient as producers, refiners, and marketers. Except for a few large refineries there are no points of concentration of labor in the oil industry. Petroleum has always offered great opportunities to individual initiative."

### In Few Words

Example of his crisp remarks: "History will rate Mr. Rockefeller for his generous vision as an international humanitarian." "Sir Henri Deterding is a genius in finance and organization." "The industry will also remember Dr. Burton, the chemist, who first applied the revolutionizing principle of cracking to refining."

Can the service in oil and "gas" ever conceivably become a sort of public utility, approaching the status of the services in electricity, gas, transportation, communications? "Decidedly not! The oil business is highly competitive. The public will never consent to have one company granted the privilege of running its tank wagons through the streets and operating filling stations to the exclusion of others."

### Dig Out the Cause

What would be the ideal modus vivendi as regards unemployment to meet the present emergency? Apart from the ideal, what is the most probable modus vivendi to which we can in practice have recourse? Respectfully referred ahead to the date when Mr. Gifford and his committee (Walter C. Teagle member) shall have finished "a serious study of all aspects of the problem."

Here is a better and a luckier shot: "Mr. Teagle, what force will it be that will bring us out of the present dilemma, or what device?"

*Answer:* "Must we not first look for a correction of underlying causes which brought about the world-wide depression? There is not much reason to expect the restoration of normal conditions in one country while the machinery of government, trade, and finance is out of timing in other countries. The isolation which once made troubles of foreign nations of comparatively little concern to us has been done away with, and we are mutually dependent.

"Undoubtedly we are working towards a new alignment without seeing clearly as yet what form this will take. Our domestic recovery more than likely will be started by the rapid growth of some new industry which will furnish work for a large number of people not needed in other lines and meet a universal demand. This might be aviation, radio, and television, or something not even on the horizon as yet."

### A Conservationist

Mr. Teagle is an eminent, though not an hysterical, conservationist. He has practically led whereas others have raged and fulminated and despaired.

"Is there not a possibility, in case our overproduction of oil continues throughout a long spell, that there will be a movement for a fundamental change in our mining laws and a drift back towards the principles of the Napoleonic Code? Would oil operators not prefer to eliminate the entire business of the individual land owner and lease holder in favor of a system whereby the State would own everything under the surface of the soil and grant at its discretion permits to produce?"

The reply contains more than shows—except to professional oil minds—and should warm the Dohertian mighty heart:

"Petroleum is a wasting resource in ever-increasing demand. Until a very recent date the whole petroleum industry, with its vast capital investment, was a hazardous one because it lacked assurance of a permanent supply. Now it can proceed on a long-range program because science has not only found how to make a much wider use of our crude oil, but has added to our reserves the world's deposits of coal. In the United States there is little likelihood of state ownership of oil lands because of the development of the theory of private property rights.

"It is to be hoped that there will come a standardization of leases and


Acme

**AIR MAIL ANNIVERSARY**—*Just 20 years ago, Earle Ovington (right) flew the first air mail in a little Bleriot monoplane from Garden City to Newark, N. J. Last week, the event was re-enacted on the West Coast when the pioneer flyer took a tri-motored transport out of Burbank*

removal of the outworn requirement which compels the drilling of leased property for the protection of the owner before additional production is needed. This can be accomplished by pooling interests in a given field for the protection of all."

Thus moralized and constructed in his wide open mind last week one of the great business men of the year.

People only know that he weighs 240 pounds to his 74 inches of stature and that his maternal grandfather, one Clark, was the first partner of John D., in grain, before the pair decided to try out this new oil.

# Washington Reactions: Beer, Bonus, Public Works, Relief

WASHINGTON—The President has been strongly urged to appoint an administrator of public works—a man who would have force enough to sweep aside red tape, politics and selfish interests. Appointment of a public works committee in Mr. Gifford's organization may be the answer. It is recalled that Mr. Gifford, as director of the Council of National Defense, did things before we entered the war that might have caused even a Mussolini to hesitate.

TREASURY officials contend that it is a wholesome thing for everyone gainfully employed or with property to pay some income tax. It would insure more opposition when organized minorities make drives on the Treasury, they feel. Most members of Congress recognize the wisdom of such a policy but are not willing to admit it and certainly are not disposed to vote for taxes on small incomes.

PRESIDENT HOOVER'S success in winning an unfavorable vote from the Legion Convention doesn't settle the bonus question. Since the national convention adjourned, the 29th Division has voted heavily in favor of loaning the full face value to the ex-soldiers, and of reducing the interest.

As pointed out last week, individual members of the House and Senate are far more interested in the attitude of the legion posts in their own districts and states than they are in the action of the national convention.

WHETHER Congress will accept the Gifford relief plan, imposing all of the burden on the local communities, is difficult to predict because so few senators are prepared to announce a position yet.

The prediction is, however, that if the Gifford plan seems to be succeeding fairly well by the time Congress gets round to legislation, Congress may content itself with a gift from the federal Treasury to the Red Cross.

On the contrary, if the Gifford plan does not seem to be meeting with approval in various local communities, the representatives of those communities will demand federal relief. It will all depend at that time upon the clamor.

There is no doubt of this—the appointment of Gifford and his setting to work has reversed the prospects. Before his appointment, it was very obvious that there would be a decided demand for the dole, and an overwhelming demand for federal relief. Just a few weeks after his appointment this has simmered down to a mild demand for federal aid to the Red Cross.

It may flare up again, of course. That depends on what happens.

DESPITE the Legion two-to-one vote for prohibition to be submitted again to the states, there is actually no change in the situation with respect to Congress and beer. There is no prospect that the present Congress will do anything about it. The Drys have an enormous majority in both houses, and no reasonable amount of flops would make any difference.

Representative Pettingill, of the South Bend, Ind., district, a Wet Democrat elected in a district normally heavily Republican and supposedly Dry, has come out with a plan which calls for submission of the amendment to the states by the present Congress, with the proviso that the states must act on it by conventions chosen solely on that issue, and to be chosen subsequent to Jan. 1, 1933.

While interesting and novel, this plan has no chance whatever of being adopted. The Dry leaders are set against referring the amendment to the states, or any referendum.

What will happen, in all human probability, with respect to prohibition in this Congress will just be a lot of talk. The real action will come in the primaries and elections next year.

# Italy Sounds First Warning Of a New Tariff Wave

European News Bureau—Italy has raised tariffs 15%, makes them applicable—in addition to import duties already in force—on all but those imported products specifically named in Italy's commercial treaties with foreign powers, or on prime necessities. Coal, for example, will be taxed only an additional 10%. Metals, chemicals, ships, and cereals (on which duties already have been increased) are exempted in the new levy. Gasoline, however, will pay not only the "super-duty" but a new sales tax of more than 12¢ a gallon.

### U. S. Is Affected

Because much of Italy's import trade is with "most-favored-nations," the new super-duty will apply to only a small share of the country's import trade. The United States, with Great Britain, however, is importantly hit. Neither has a most-favored-nation trade treaty with Italy. Italian imports last year were supplied principally by the United States, Germany, Great Britain, France, and Argentina, in the order named.

United States exports to Italy are principally mineral oils (including gasoline), cotton, non-ferrous metals, automobiles, machinery, and radio sets.

The Rome government pushes to the fore as a cause for the new levy the fact that the national budget is running behind seriously. Exporters look on the move as the beginning of a new tariff wave to protect domestic markets from the products of countries which have gone off the gold standard and thus gained an immediate advantage in foreign markets where the gold standard remains.

### German "Dumping"

This reasoning extends to German exports as well as British, though Germany has not abandoned gold. Drastic demands for an export surplus to help meet outstanding obligations has forced Germany into such intensive foreign marketing that many European countries refer to it as "export dumping." Switzerland sounded a warning last week (*BW—Sep30'31*) when the government announced that it would not renew its trade treaty with Germany when it expires this year, and, further, that German imports would be admitted on a license basis beyond a volume equal to some reasonable average of recent trade volume. Germany is not surprised, but German exporters are alarmed. Important competitive markets are seriously threatened by Britain's new export advantage, and by threats of tariffs such as those of Switzerland and Italy.

Italy's new super-duty has partially concealed a real threat to American radio exporters. A separate decree, contemplated for several weeks, creates new duties up to 500% on sets.

This drastic tax is obviously to protect an expanding home industry. Last spring all radio imports were put on a strict license basis (*BW—May13'31*). Since then, radio imports have declined one-third. Producers, encouraged, have appealed for this new protection to help them win the domestic market. The government, eager in any way to stimulate business, has agreed to clap on the new tax.

Germany, the United States, and Great Britain will be hardest hit by the new radio duties. Italian farm interests have murmured a protest over the drastic increase and they may get a hearing. Nearly 20% of Italian farm exports go to Germany. German retaliation to this drastic radio levy may be serious.

# Amtorg Gets 100,000 Bids For Russia's 6.000 Skilled Jobs

New Yorkers dominate the flow of Americans who have decided, at least for the time being, to cast their lot with the Russians. Pennsylvania, New Jersey, and Illinois show heavy quotas of recruits under the new call for "6,000 skilled workers," and Michigan, Ohio, California, and Massachusetts are well represented.

More than 100,000 applications have been received at the Amtorg's New York office for the 6,000 jobs. One morning's grist of applications last week totaled 280. All but 10 states were represented. Both Alaska and Panama furnished an applicant, and 18 Canadians wanted to "try their luck in Russia."

Nearly one-fourth of the job-seekers are from New York state—73 on this


Underwood & Underwood

Food Factory—*In Soviet Russia restaurants are known as "Kitchen Factories." Here's one of the largest—recently completed near Moscow. It "manufactures" more than 10,000 meals a day*

particular morning. Pennsylvania, New Jersey, Ohio, and Illinois fluctuate up and down the list, depending on the type of job open. Pennsylvania offered 28, New Jersey, 23, Illinois 21, among the 280 letters checked.

Industrial states naturally supply the largest number of applicants, but others are represented. Iowa, Texas, and Idaho each offered some kind of skilled worker.

**"1 Funeral Director"**

Because of the general knowledge that Russia is "industrializing," applicants usually are skilled workers at machine construction, on the railroads, in steel mills, automobile factories, or the building industries. A glance at the qualifications of some of the 280 applicants on this "typical" morning showed that experts in all lines were after work, even if it meant going to Russia and accepting pay in roubles. There were 2 barbers, 1 funeral director, 2 plumbers, 5 painters, 2 cooks, 36 "clerical" workers, 1 service station operator, 9 carpenters, 1 aviator, 58 engineers, 14 electricians, 5 salesmen, 2 printers, 2 chemists, 1 shoemaker, 1 librarian, 2 teachers, 1 cleaner & dyer, 11 automobile mechanics, 1 dentist.

About 85% of the applicants are citizens of the United States, though only 40% are native born. The 60% foreign born are largely from Eastern Europe. A few negroes have applied but the number is small because the majority are unskilled laborers.

**Few Women**

Women form only a small percentage of the applicants, though many wives have decided to accompany their husbands on the new venture. The majority of workers who apply are married and have children.

Three principal reasons are advanced for wanting the position: (1) Unemployment; (2) disgust with conditions here; (3) interest in the Soviet experiment. Foreign-born workers practically all state that they intend to remain in the U.S.S.R. Of the engineers, only 10% to 20% plan to stay.

The majority of the American workers who have been hired and will be hired in the near future will be placed primarily in the following industrial centers: Stalingrad tractor plant, Kharkov tractor plant, the huge automobile plant at Nizhni Novgorod, the locomotive works at Sormova, the steel works at Magnitogorsk and Kuznetsk, mines in the Kuznetsk region, non-ferrous metal plants and mines in the Urals and Kazakstan, and on the railroad lines throughout the country.

# Wide Reading

AN UNEMPLOYMENT PLAN THAT IS WORKING NOW. David Drechsler. *Printers' Ink*, Sept. 24. Plan now functioning in New York clothing industries.

YOU CAN ALTER THE TARIFF. *World's Work*, October. For those who are interested in further tariff revisions.

THE BOND BUBBLE IN REAL ESTATE. Bernard J. Reis. *New Republic*, Sept. 30. About $6 billions of supposedly safe securities are in default.

PHILIP SNOWDEN: A PURITAN SOCIALIST. Wickham Steed. *Current History*, September. Character sketch of a key man in Britain's emergency coalition cabinet.

SCIENCE GOES TO MARKET. W. S. Kies. *Review of Reviews*, September. The professor cannot become a business man. The University of Wisconsin has set up a unique foundation to stand between him and industry. There is a real demand for his discoveries. Income at Wisconsin now: $1,000 a day.

CAUSES OF THE GERMAN FINANCIAL CRISIS. Sidney B. Fay. *Current History*, September. Discussion of the immediate effect of the moratorium and the probability that there may be further revisions of the reparations payments. Partial blame placed on Germany because of extravagant expenditures and imprudent borrowing.

HAPPY DAYS WILL COME AGAIN. Elmer Davis. *Harpers*, October. The new boom will be "animated by a what-the-hell extravagance of pleasure," riotous spending on consumption goods, an era of "conspicuous waste."

PROGRESS IN RAYON DESPITE DEFICIENCIES. *Textile World*, Sept. 26. Annual rayon year book issue. Complete, concise review of rayon industry.

CAPITALIZING INGENUITY. Ward Gates. *Magazine of Wall Street*, Sept. 19. Some businesses have refused to accept the depression. Lacking any bankruptcy of ideas, they have swelled their profits—and their prestige.

99% OF POWER FED TO COTTON SPINNING FRAME IS LOST. George Wrigley. *Textile World*, Sept. 12. Where power losses occur and how they may be allowed for in choosing the size of motor.

REGULATION OF FOREIGN INSURANCE IN LATIN AMERICA. A. S. Christenson. *Commerce Reports*, Sept. 14. Three countries exclude foreign companies; 4 have no special requirements. Other legislation runs gamut between these extremes.

A STABILIZATION PROGRAM FOR THE BITUMINOUS COAL INDUSTRY. *Coal Age*, September. Program proposed by the editors and leaders in the industry.

WHO PAYS FOR BRITISH UNEMPLOYMENT? Suzanne LaFollette. *New Republic*, Sept. 30. A discussion of the fundamental issue on which the next election will be fought.

AS STEFFENS SEES IT. Lincoln Steffens. *Survey Graphic*, October. We may see bigger and better muckraking as New York and Chicago set the fashion in investigations.

# Business Abroad—Swift Survey Of the Week's Developments

Uncertainties harry business.... **Britain dreads an election, yet can't progress constructively without a decision on tariffs.... The French financial structure shows signs of weakness, is suffering heavily from sterling depreciation. Paris views the future gloomily.... Germany faces new deflationist moves; labor contests new wage cuts.... Half a dozen countries are wavering on gold policy.... Wild currency fluctuations are detrimental to foreign trade.... Holland and Italy have raised tariffs; others may follow.... Until Japan and China start negotiations, Manchurian business will remain at low ebb. A Chinese boycott is threatened.**

## European Business Slow Awaiting Turn of Events

EUROPEAN NEWS BUREAU (*Cable*)—Less opportunistic optimism, instead of serious perturbation, marks the second week following England's abandonment of the gold standard. Out of endless consequences—varying with each country according to its economic structure and the intimacy of its relations to world developments—the following current trends in the chaotic European picture may be segregated:

### Others Abandon Gold

(1) As feared, though expected sooner, England's action has forced other countries to abandon gold. Sweden, Denmark, and Norway have announced temporary suspension of the convertibility of their currencies, nominally only until the end of November. Heavy falls in Scandinavian exchanges followed. Egypt has suspended gold exports. With each new departure, pressure upon the remaining gold standard countries has increased. It is considered only a matter of time before several smaller Eastern European nations succumb, and it is gravely doubted whether Germany and Italy, and even Holland, will be able to resist. The eventual prospect is the United States, France, and South Africa as the solitary survivors. It should, however, be pointed out that the Scandinavian countries are among those economically most closely associated with Great Britain, while Egypt's currency is based on sterling. These abandonments, therefore, have been due to special, in addition to general, reasons.

The rumor has originated in Scandinavia that Russia, due to low world prices for its principal exports, is about to declare a one-year suspension of payments. Russian official denials have failed to allay the belief that there is a likelihood of this eventuality.

### Demand Stabilization

(2) Erratic fluctuations of sterling and the disruptive effect on trade has resulted in a widespread demand that the pound be stabilized within given margins at the soonest possible date. The British Cabinet has not reached any decision on what monetary policy to pursue, but the Bank of England board is understood to be favoring a return to the gold standard, or to a relatively high gold parity. Action of sterling during the first half of this week tends to indicate market intervention by British authorities, though this is denied.

(3) Several important stock exchanges continue closed (Berlin, Stockholm, and Budapest), and others are expected to close. A movement from bonds to stocks or to cash is discernible. Dealing in futures (the European counterpart of short selling) has been suspended nearly everywhere, both in securities and currencies, the latter particularly hampering trade. Numerous small bankruptcies have occurred, and uneasiness over the position of large institutions has increased.

(4) A series of central banks have raised bank rates (Italy, Holland, Scandinavia, Greece, and Bulgaria).

### Tariffs Increased

(5) Several upward revisions of tariffs have been enacted. Holland has raised the general 8% tariff to 10%; Italy, with certain exceptions, has introduced a 15% customs surtax. Increases are motivated partially to offset dumping by countries abandoning the gold standard but primarily to increase revenues against rising government deficits which are universal in Europe. The increase in Egyptian tariffs is intended to offset currency depreciation leaving gold tariffs unchanged. Spain has adopted a retaliatory tariff clause.

(6) European exporters, hitherto invoicing in sterling, are seeking to redraw outstanding bills and insist on drawing the new bills in dollars or francs, or refusing deliveries. The function of sterling as an international medium of exchange, constituting one of England's principal sources of foreign revenue, momentarily has virtually ceased. New York and Paris may expect a flood of commercial paper seeking acceptance and discount facilities.

The business picture is dull. Commodity markets have fluctuated with exchange oscillations but gold values still tend downwards, except for lead, rubber, and wool. Continental industrial activity is further restricted. British industrial reports still reflect the first stimulus of depreciation but the instability of sterling is beginning to exercise the opposite effect as buyers realize today's bargains, at falling exchange, may become tomorrow's losses. Stock exchanges are somewhat steadier, except in Paris.

## French Business Views The Future Gloomily

**Future gloomy.... Stock prices in fresh relapse. Even government securities weaken. Banks in difficulty. ...Many industries feel effects from British gold move.... Results of Berlin accord received with reserved satisfaction.**

PARIS (*Radio*)—French business sentiment views the future gloomily. Stocks have suffered in a new slide, and, for the first time, French government securities, hitherto pillars of strength, have begun to show weakness. French banks already are suffering from declines in security values and mortgage equities have unquestionably felt further losses incurred through sterling depreciation.

During the week, Banque Nationale de Credit, member of the so-called "Big Five," and one of the largest and most aggressive postwar institutions, was saved from collapse only by the formation, under government pressure, of a consortium of other banks which put up a guarantee fund. Banque Union Parisienne is likewise reported to be in difficulties.

### France Hard Hit

France is not only one of those countries suffering heaviest from immediate sterling depreciation, but it is also due to suffer the most from any permanent devalorization of the pound. Industries throughout France have incurred immediate exchange losses. This applies especially to the linen industry in the north; to cotton mills in Alsace; to

cutlery manufacturers in Central France; and to silk at Lyons, this group reporting a loss of $6 millions on outstanding sterling contracts. Moreover, if sterling is permanently devalued, France foresees a loss of its largest market. Britain last year took $275 millions of French exports. Conversely, there will be increased return on imports from Great Britain, which last year were valued at $210 millions. The present tariff-inflated level of French internal prices has not only crippled French trade but restricted French domestic purchasing power, and largely to protect farm interests.

**Amity Strengthens**

Results from Laval's visit to Germany are greeted with reserved satisfaction. As expressed by Paris *Temps* friction can't change to friendship overnight. But recognition that France and Germany must get together has gained notable breadth with the announcement of a program to be worked out by a committee of government and business representatives. They will take up progressively those points offering the possibility of economic accord and leave contentious points of political divergence to be taken up in later conciliation appeals.

The Bank of France has renewed its $45-million credit to Spain. Commercial negotiations with Hungary have resulted in a privileged wheat quota in return for Hungarian tariff concessions on French specialties including cosmetics, textiles, and automobiles. France, likewise, accorded Czechoslovakia a 15,000-ton lumber contingent under the recently established import license system in return for the easing of certain tariff rates on French products. This foreshadows a further increase in French rates.

## Germany Is Encouraged By Agreement With France

**Business, otherwise gloomy, encouraged by prospect of new Franco-German amity. . . . Boerse indefinitely closed. . . . Government struggles to keep prices down, hold export markets. . . . Steel outlook better. . . . Gasoline monopoly a possibility.**

BERLIN (*Cable*)—Beyond the hopeful new Franco-German agreement (page 9), the week has been marked by expanding repercussion to the pound crisis. Notable are the increasing difficulties which have developed around the financing of German import and export trade, formerly handled largely via London. A second uncertainty results from the continued suspension of the stock exchange and the fresh anxiety of exporting industries following the gold debacle in the Scandinavian countries and the precarious position of other world currencies.

**Lower Price Levels**

Inflationist pressure from the government accordingly has increased, but Bruening and Luther are still resolved to withstand the temptation to follow the example set by England, and are doing their utmost to lower internal price levels. Characteristic is the Bruening speech at the Savings Banks' jubilee convention: "A poor country must be cheap."

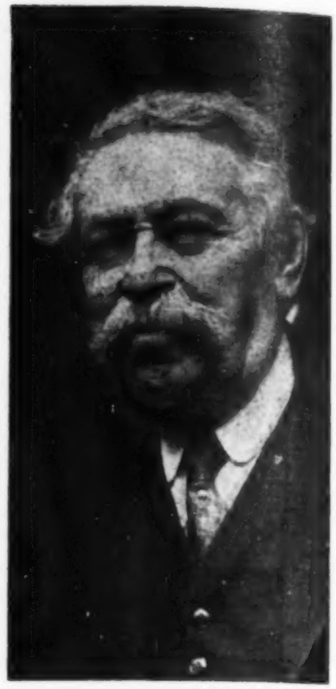
Opponents to various inflationist projects point out that it would be unprofitable to follow the British example since the bulk of German foreign loans are on a dollar or other gold basis and therefore would not automatically be devaluated. While private banks will benefit from the sterling crash in so far as $250 millions of short term borrowings are concerned, the Gold Diskont Bank is severely hit since 45% of its lendings were on a sterling basis.

While all industries recorded a uniform decline this week, steel temporarily has been stimulated by $25 millions of surplus Reichsbahn contracts which are to be financed by the special tax gold bonds. Their success, however, is still dubious. Steel also benefits from the collapse of the Swedish kroner since long term ore contracts unprofitable at recent low world prices running for several years are all bought on the basis of Swedish kroners.

**Boerse Remains Closed**

The Boerse is closed indefinitely despite the reopening of other European stock exchanges. Closure was due largely to official pressure overruling the vehement protest of stock brokers who for the third month are condemned to inactivity. Many of them are facing ruin. The measure was motivated mainly by fears of sales on foreign account and continued drain of reserves of the Reichsbank for transfer proceeds. The failure of 2 private banks—Deichman, of Cologne, and Schoeneberger, in Berlin—was due largely to outstanding sterling commitments, but they increase the general uncertainty.

A further adverse factor is the resumed strain on public finance which is accentuated by the necessity for the Reich to subsidize the communes for unemployment relief up to $55 millions, and also the necessity to support savings banks where, contrary to the general reflux of bank deposits, drains continue uninterruptedly.



Underwood & Underwood

BACK IN HARNESS—*Briand broke a long tradition, went to Berlin with Laval, revived his ambition for Franco-German cooperation*

The precarious financial position of the Reich has caused it to look for new sources of revenue. One extreme resort which has been proposed is a gasoline monopoly.

At present the Reich draws a net income of about $60 millions a year from the taxation of imported gasoline and other motor fuel. If a monopoly is established, which extends to retail distribution, the Reich would have to compensate the oil companies for their filling stations, in which nearly $125 millions are invested. If Germany got a loan for such a monopoly it would be largely absorbed in paying private interests for their property. Antagonists also point out that the tempo of Germany's motorization has declined rapidly for the last few years. If the increase in the number of passenger cars in the year 1926-27 (absolute figure 61,287) equals 100, then the index for this increase in subsequent years would be: 136, 133, 111, and 35 (in 1930-31).

While under present circumstances the gasoline monopoly remains a more or less remote threat, Germany is endeavoring to curb gasoline imports by increasing the quota of obligatory admixture of alcohol in all motor fuel.

## Britain Calm, Optimistic, Export Trade Spurts

**Public calm and optimistic. Export trade spurts. . . . Elections delayed until coalition government, with a doctor's mandate, can apply various remedies to aid currency stabilization. . . . Tariffs still strongly urged.**

LONDON (*Cable*)—The exchange position is stimulating British business. Canada is ordering Welsh and Scotch anthracite instead of Pennsylvania coal. The tin plate industry has revived. Still other industries are preparing for a boom.

### Curb Speculation

The stock market insists on all dealings in cash, thus checking speculation though slowing down turnover. The public, nevertheless, is actively buying industrials. The probability of an early election has tended to check some trades, but it seems probable now that the government will not appeal to the country much before the end of the year.

Internal prices have not risen, an occasional marking up being promptly and severely handled by the government. The effect of fluctuating currency values on running contracts is troublesome. For example, the pitwood timber trade is at a standstill in South Wales because French exporters refuse to supply unless they are paid on a gold standard basis; importers insist that contracts be filled on a day-to-day sterling basis.

### MacDonald Firm

Premier MacDonald has refused to be stampeded into an immediate appeal to the country by the empire free traders who wish to seize the present crisis as a stimulus to commit the country to a high protectionist program against foreign goods. The Liberals are understood to be willing to accept a mandate to impose tariffs or prohibit certain imports if such action is found to be necessary later, but only as supplementary to other measures to protect sterling and not as the main plan of the government's policy. Professor Keynes is leading a strong body of public opinion which holds that the present government should remain in power until some sound currency basis has been firmly established before plunging the country into tariff discussions.

The Cabinet still has reached no decision on the probable parity at which the pound will stabilize. The board of the Bank of England has agreed to return to a high gold parity, some members even insisting on a full return to $4.86, others assuming that a 15% depreciation is desirable on the ground that this is a just value, and acceptable to labor without raising wage levels.

All in all the public is calm and optimistic.

*International News*

COMRADE YAN FA—*This Soviet worker has won 3 awards, is one of the shock troops called in to speed up production. American workers, being recruited, are expected to make more Yan Fa's out of unskilled labor*

## Business Continues Dull In Latin America

**Latin American business is dull. . . . Commercial credits have tightened. . . . Colombia decrees constructive emergency legislation. . . . Brazil barters rice for wheat. . . . Uruguay defers payments on imports.**

GENERAL business conditions continue to be dull with commercial credits tighter now than at any time in recent years.

With many European countries, Colombia has put an end to gold shipments and is restricting foreign exchange operations to meet exigencies of the present situation. An exchange board has been created with ample powers to work in conjunction with the Bank of the Republic in an effort to restrict operations to legitimate commercial purposes and to prevent the transfer abroad of gold for deposit.

The Colombian Cable & Air Mail Weekly Service reports the measures adopted by the government have been well received. Complete tranquillity exists. The Bank of the Republic receives national bills and maintains exchange at $1.035.

### Imports Restricted

Also growing out of the emergency powers granted to the President to aid the country, is the right to restrict importation of foreign merchandise, with the power to prohibit articles of luxury, agricultural products which can be produced within the country, and to restrict especially all articles not absolutely necessary in ordinary life. Tobacco and liquor are hit. Duties of 100% have been levied on rice and wheat. Hopeful news to Bogota are reports that the coming coffee crop is favorable, that cattle prices have improved, and gold production increased.

World markets are interested in the report from Brazil that the country is negotiating for the barter of 5½ million bushels of Argentine wheat for 100,000 tons of Brazilian rice. Also from Rio de Janeiro comes the report that domestic industries are thriving

on the temporary restriction on imports caused by the government's efforts to peg exchange at rates not acceptable to foreign exporters. Textile mills particularly are profiting.

Uruguay is meeting a difficult import credit situation by decreeing that all payments outside the country will be deferred until Jan. 1.

## Manchurian Crisis Disturbs Business in Far East

**Far Eastern business upset by Manchurian crisis but tempted into market by better silver values and lower costs in many markets.... Price sag on Tokyo exchange.... China buys wheat, feels loss of buying power in flood area.... India plans economies, projects fresh tariff levies.**

MUKDEN has become an economic morgue, and trade in all Manchuria is at low ebb, while China, Japan, and the League of Nations thrash out preliminary formalities to a possible accord.

If the Japanese troops continue to be withdrawn to the leased railroad zone, as promised, trade within Manchuria may resume some semblance of normalcy. But if reports are to be credited that literally hundreds of thousands have fled the country, the "affair" will have left a deep gash on this year's business returns.

### Stocks Fall

In Tokyo, the market has reacted drastically to the British situation and the Mukden affair. The stock exchange has reopened but traders are buying cautiously with all prices at new lows. The precipitous fall of Tokyo Stock Exchange shares has been curbed but the exchanges may close on any signs of fresh weakness.

Business in China has reflected appreciated silver values and lower costs of imports from countries recently off the gold standard. Flood conditions in central China, important both industrially and agriculturally, are still serious, and curtail the buying power of millions. The Farm Board has completed arrangements for the delivery to China of 15 million bushels of wheat, to be paid at 4% within 5 years.

### India Retrenches

India plans a drastic retrenchment program to meet a budget deficit. Salaries of civil servants are to be cut 10%. A surcharge of 25% on all customs is planned.

# The Figures of the Week And What They Mean

**With gold payment suspension, wage cuts, and bank failures gaining in number, there is little basis for expecting more than a minor seasonal improvement this fall.... The uncertainty of the trend of commodity, stock, and bond prices is reflected in further curtailment of basic industrial production....Steel, electric power, coal, and carloadings failed to indicate the usual seasonal increase.... Government stimulation of construction is becoming apparent in the building industry and furnishing some support to steel.... The strength of building awards and check payments moved the *Business Week* index of general activity for the week of Sept. 26 to 72.2% of normal compared with the revised figure of 71.1% the preceding week.**

THOUGH some trade papers believe that steel ingot production made a slight gain during the last week of September, Dow, Jones estimates that operations were probably slower than a week ago. The adjusted index which makes allowance for an anticipated seasonal increase at this time declined from 45% of normal to 43%.

### Steel Orders

The outstanding developments in the steel markets continue to be the spreading of wage cuts among the lesser steel companies and the favorable volume of construction awards. Public works projects are now swelling the orders for fabricated structural steel, stirring the otherwise quiet market. *Iron Age* reports total awards for the week in the neighborhood of 126,000 tons, the largest since March.

While wage cuts were at first hailed as a favorable factor in aiding the balancing of steel production costs, they now appear to be contributing to the general uncertainty of price policy. Consumers were thought to be putting off their orders until wage cuts were announced, and now that the announcements have been made with elaboration upon the savings made in costs, consumers appear to be waiting for the benefits to be passed on to them. So far prices on finished steel and pig iron are holding, though weakness is reported in cast iron pipe on the Pacific Coast and in steel scrap at Pittsburgh. Whether producers can resist the pressure upon them to lower prices further remains to be seen. Their failure to do so before the wage cuts casts considerable doubt on their ability to maintain prices now.

### Automotive Production

Automobile centers still give little promise of an early pickup in demand. The official report on production in August in the United States and Canada shows a decline of 14% from July. Canadian output gained over July, but the combined output of Canada and the United States fell from 222,710 units to 191,741. *Iron Age* estimates September at 180,000 and October at 160,000. The industry looked forward to the getting under way of new models, but apparently such production is being considerably delayed.

A few rail orders have materialized

| | *Latest Week* | *Preceding Week* | *Year Ago* | *Five-Year Average 1926-1930* |
|---|---|---|---|---|
| **THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY** | *72.2 | †71.1 | 86.2 | ...... |
| ***Production*** | | | | |
| Steel Ingot Operation (% of capacity) | 28 | 29 | 60 | 76 |
| Building Contracts (F. W. Dodge, daily average in thousands, 4-weeks basis) | $10,476 | $10,466 | $12,757 | $18,673 |
| Bituminous Coal (daily average, 1,000 tons) | *1,209 | †1,280 | 1,487 | 1,721 |
| Electric Power (millions K.W.H.) | 1,660 | 1,663 | 1,714 | 1,580 |
| ***Trade*** | | | | |
| Total Carloadings (daily average, 1,000 cars) | 124 | 127 | 159 | 186 |
| Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) | 82 | 84 | 104 | 118 |
| Check Payments (outside N. Y. City, millions) | $4,018 | $4,315 | $4,844 | $5,876 |
| Money in Circulation (daily average, millions) | $5,176 | $5,108 | $4,469 | $4,791 |
| ***Prices (Average for the Week)*** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $.43 | $.45 | $.77 | $1.14 |
| Cotton (middling, New York, lb.) | $.062 | $.064 | $.104 | $.169 |
| Iron and Steel (STEEL composite, ton) | $31.02 | $31.02 | $32.52 | $35.62 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.068 | $.068 | $.099 | $.139 |
| All Commodities (Fisher's Index, 1926-100) | 68.6 | 69.0 | 83.1 | 94.5 |
| ***Finance*** | | | | |
| Total Federal Reserve Credit Outstanding, (daily average, millions) | $1,382 | $1,265 | $997 | $1,305 |
| Total Loans and Investments, Federal Reserve reporting member banks (millions) | $22,072 | $22,132 | $23,297 | $21,696 |
| Commercial Loans, Federal Reserve reporting member banks (millions) | $7,867 | $7,849 | $8,458 | $8,908 |
| Security Loans, Federal Reserve reporting member banks (millions) | $6,361 | $6,414 | $8,454 | $7,032 |
| Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions) | $1,172 | $1,207 | $3,063 | $4,111 |
| Stock Prices (average 100 stocks, Herald-Tribune) | $103.47 | $106.73 | $153.11 | $155.60 |
| Bond Prices (Dow, Jones, average 40 bonds) | $88.46 | $89.79 | $97.64 | $95.90 |
| Interest Rates—Call Loans (daily average, renewal) | 1.5% | 1.5% | 2% | 5.3% |
| Interest Rates—Prime Commercial Paper (4-6 months) | 2% | 2% | 3% | 4.7% |
| Business Failures (Dun, number) | 483 | 426 | 488 | 398 |

* Preliminary †Revised

during the week, but seasonal expansion in demand from this source is admittedly slow and without much prospect. Among small consumers, the stove trade is most active, while radio producers have curtailed expansion. Tin plate output is holding at 45% of capacity with intermittent increases.

While building contracts awarded in the third week of September were at a lower rate than during the first half of the month, the daily average of all awards to date is running 15.5% ahead of August, 1931. Our adjusted index for the week of Sept. 18 remained at 58% of normal and little change is expected for the succeeding week.

### Building Contracts Awarded

In 5 of the 13 F. W. Dodge territories, total contracts awarded in the first 18 days of September exceeded the entire month of August, 1931. Awards for the 37 states now total $186,433,200, to which the non-residential group is the heaviest contributor with a total of $81,635,500. In 8 of the territories, the non-residential contracts awarded, which include commercial, industrial, and public buildings, already exceed the awards of the preceding month. In all 13 divisions, the daily average awards of this group are 18% ahead of August and less than 9% under a year ago. Residential contracts remain the smallest of the 3 groups and have lost the slight gain reported for the first half of the month compared with August, but are less than 3% behind on a daily average basis.

Bituminous coal took a sharp setback after the holiday week so that the daily output averaged the lowest in the past month. Our adjusted index for the week of Sept. 19 receded to 57% of normal compared with 60% in the 2 preceding weeks.

Electric power production continues to lag when a seasonal rise is expected. Our adjusted index declined from 87% of normal to 85% for the week of Sept. 26. The Atlantic seaboard is the only section to show a better level than a year ago, and that is by the slim margin of less than 1%.

### Carloadings Still Low

Carloadings made a disappointing recovery from the holiday low and remain at the lowest level since the week of Aug. 8, contrary to the usual seasonal trend. Merchandise less-than-carlot and miscellaneous freight made the sharpest recovery, but the daily average loadings of the combined groups remain under that of the past 3 weeks. Our adjusted index based on these 2 classifications reached a new low of 64% of normal for the week of Sept. 19 compared with 66% the preceding week.

The erratic fluctuations in the volume of bank debits in the past 3 weeks have made adjustment difficult. During the holiday week the volume of check payments reached a low of many years' standing, followed the next week by a 50% increase in the cities outside of New York. During the week of Sept. 23 only a slight decline of 7% was reported from the September peak. Our adjusted index based on the average of the preceding 2 weeks moved from 75% of normal to 80%.

Currency circulation continues to testify to the widespread return of business to a cash basis and to the general uneasiness of the public for the safety of its funds. The almost perpendicular rise of this series since July has brought the adjusted index 29% above normal.

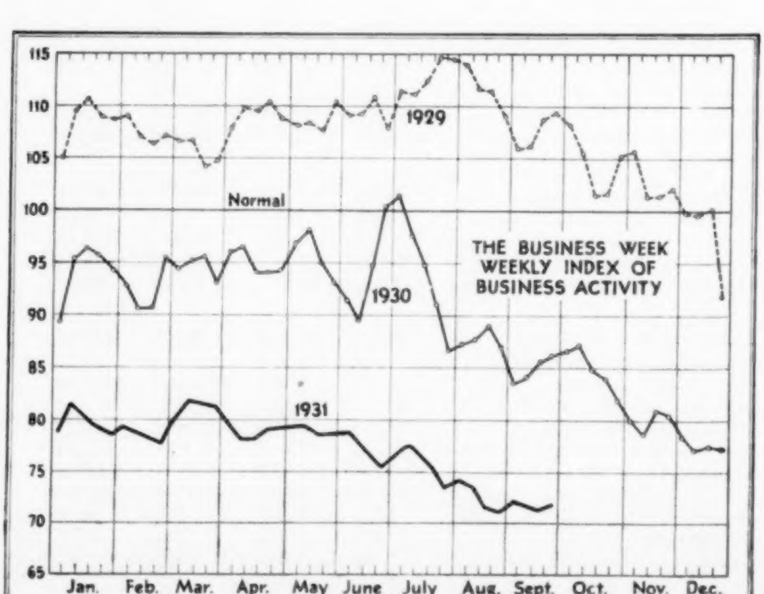
Commercial loans increased slightly during the week of Sept. 23, moving our index back to the level of 12% above normal. The increase is believed due to seasonal increases in business needs, though the lower price level and the slow pace of trade will probably hold the loan volume to very moderate proportions.

### Commodity Prices

Commodity prices moved in sympathy with the security markets where new low ground was being reached daily.

Some foods such as sugar, butter, potatoes, and beef turned upward, but the bulk of raw material commodity prices weakened. Wheat and corn moved steadily downward for nearly a week. The decline in world wheat production is lookd to by some for future improvement in domestic prices. Cotton futures broke below 6¢ for the first time since 1899.

Coffee, cocoa, rubber, and hides were lower, while silk was fairly steady and cattle prices somewhat better. The non-ferrous metal markets continue to be oppressively quiet. Silver has been affected by fluctuating exchange rates and has declined after making a 31¢ level. Copper is steady at 7¢. Curtailed production is expected as a result of the coming conference or through pressure of low prices in face of declining demand. Tin and zinc declined, while lead was steady.




**The Index**

**The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.**

# Trends of the Markets In Money, Stocks, Bonds

Large withdrawals of funds by foreign and domestic depositors continued to strain the banks. . . . Stocks tumbled further down hill though railroads displayed some strength. . . . Bonds declined on foreign and bank sales.

## Drastic Reserve Action Forced by Withdrawals

CONTINUED heavy withdrawals of funds both by foreigners and domestic bank depositors featured money and credit developments of this week. Europeans took about $190 millions of gold in all. Domestic depositors withdrew another $82 millions of currency.

These tremendous drains on the banks forced drastic Federal Reserve action, and the system poured $235 millions into the market. Even then member banks were forced to borrow more from the Reserve.

The domestic strain appears heaviest outside of New York City, and there the Reserve is able to help the least, due to the lack of eligible paper. The pull of foreign withdrawals bears heavily on New York, but the New York banks are strongly fortified.

Departure of Scandinavian nations from the gold standard further disturbed foreign monetary conditions, and numerous discount rates were raised. After some weakness, most foreign currencies rallied in New York due to the demand brought about by withdrawals.

Deposits in New York banks rose sharply, hence a rise in investments. The deposit rise was due to mobilization of out-of-town deposits by the out-of-town banks and to the concentration of corporate funds for October dividend payments. Open market money rates went up slightly.

Brokers' loans dropped further to new lows with the declining market.

## Stock Market Reflects More Fears Than Hopes

DESCENDING stock prices this week were evidence of a continuing anticipation of trouble by the majority of those interested in stock speculation or investment; also of considerable necessitous selling. Materialization of some of its fears during the week failed to relieve the pressure on the market's nerves. This news simply recorded, on the whole, sequences of previously known happenings.

Industrial stocks this week dropped 10%, utilities 9%, and railroads 3%, the former 2 into new low ground. The present precipitous decline beginning a month ago has erased about 27% of stock prices. Most organizations whose business is market advice still term purchases at this time unpropitious.

Failure of all signs of a fall business recovery postpones hopes based upon seasonal stimulus until next spring with further declines in earnings and dividends during the next few months as a corollary. The financial outlook remains clouded, especially in the banking quarter. Foreign affairs appear unstable, with the complete meaning of the past 2 weeks' developments undetermined. Social disturbances loom.

### Short Selling Large

At least 5 types of stock sales result. Short selling is large, except in railroads, where the I.C.C. rate decision impends. Sales by discouraged—and somewhat—hysterical, holders are numerous. What may be called "reasoned" selling—based on the outlook as seen from Wall Street—is considerable. A 27% decline in a month has brought necessitous selling from impaired margin accounts, and financial difficulties have brought selling in order to raise cash. Foreigners are seeking needed funds; depreciated exchanges give many foreign holders a profit.

Opposing factors attract fewer buyers. Diplomacy brightens the outlook with the Franco-German conciliation and the forthcoming Laval visit to the United States. A possible favorable decision from the I.C.C. in the railroad rate case offers some basis for hope, attested by the smaller decline in railway shares.

Speculative buying is encouraged by the extent of the decline, the strong

technical position of the market, and the apparently low prices. But the same situation in the bond market divides speculative buying between the 2 markets. Yields offered by stocks provide a real attraction, but doubt as to their permanence and equal or greater attraction in the bond market weakens its force.

Financial history records that reactions always occur no matter how black the outlook, but these have never been permanent until the fundamental outlook has cleared.

## Government Bonds Join The Downward Swing

BOND prices were forced almost steadily downward this week by continued heavy selling. Foreign interests and banks were chiefly responsible as they have been in most recent weeks.

Banks, suffering from withdrawals of deposits, are forced to sell to obtain cash. Foreign interests need cash, can buy much more of their own depreciated money with dollars than for years, and are beginning to be affected by the domestic weakening of confidence in American financial institutions. Buyers of bonds are driving hard bargains, realizing that it's a buyer's market.

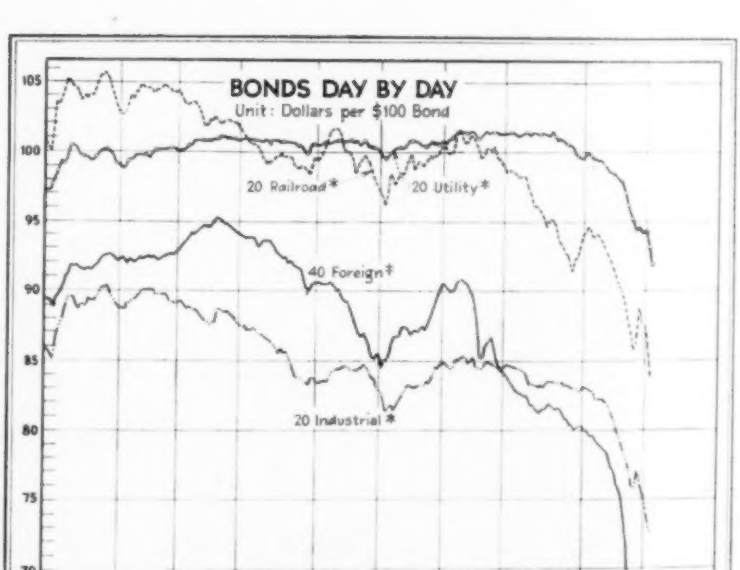
Weakness in government bonds was a feature of the week. This marked the final loss of caste among the gilt-edged groups. Only a few weeks ago the once powerful utilities took the toboggan. Government bond weakness marks the further spread of forced and frightened selling, plus a growing realization of the prospective huge government deficit. Such a deficit will force further extensive government borrowing and concomitant depreciation of issues now outstanding.

### Rail Bonds Slide

Railroad bonds slid further downhill despite strong resistance by rail common stocks. Realization that more than a score of roads are apparently not now earning their bond interest helped to sharpen the decline. Some industrials are in a similar position. While this is not true of utilities, their future is being increasingly questioned in view of dangers of investigation and legislation.

The foreign bond market is as unstable as the whole foreign picture appears from this side of the water. Heavy declines in Argentine and Belgian issues were most responsible for the drop in the averages, but extreme uncertainty prevails throughout the list.

News reports of the week offered little encouragement to bond men or investors. The further declines in commodity prices ate away a little more of security, and the prospect of continued financial trouble indicates that sales may continue to be heavy. Optimists have little more than the hope of some major unexpected event to which to cling.



# James W. Dublin, Rtd.

*Serious Illness of a Doctrine*

THOSE patriots within our industries who have been reluctant to cut wages are now capitulating one by one. After a resistance of two years they surrender not without honor. Parks have been named after citizens who did less.

Yet with this praise of doughty men the tears of frustration mingle. The spectacle of capitalism scrapping one of its newest and greatest inventions scrambles our logics and makes thought merely fly round and round—like the Lindberghs. The invention I refer to is The Masses.

True, in the beginning God created The Masses one by one, each man and woman an original and separate experiment. But the American merchandiser lumped the process, *recreated* The Masses in terms of modern improvements, and rather early in the 20th century came into complete control of the patents.

* * *

No machine ever invented, no advanced shop technique, has functioned so well for Industry. Once The Masses found out what they were expected to do they valiantly took to being piped for plumbing, to vacuum cleaners, gas coaches, skins you love to touch, cinema love, gum on the shoe, Mother's Day, radios, iceless ice-boxes, pink toothbrushes and what have you got? It looked almost like perpetual motion (and some economists said it was) until Wall Street let out that 1929 shriek for bigger and quicker margins and things began to happen.

Moreover, Capitalism has capitalized The Masses just as American Tel. & Tel. has capitalized its far-flung web of wires and exchanges—only to the extent of billions and billions. Our financial fabric and the distribution of securities is the split-up of a huge bet that the lusty assimilation of goods for The Masses and by The Masses shall not perish from the earth.

* * *

Out of all these grand doings a unique doctrine was bred, a doctrine that warms the veins with fertile hope. Keep a man hired, it says, at good pay, not because he is our brother, but because he is a customer. This is a hard-boiled and handsome philosophy that makes salvation look like a practical proposition. No goo of sentimentality clings to it and it does not strain the quality of mercy at the seams. It confers a new kind of citizenship. It exalts man not as a voter but as an eater and user of the nation's plenty.

* * *

But if we dismantle The Masses we likewise dismantle the doctrine and then there won't be so much community singing about Mass Production and Mass Selling. You can't have either one without The Masses. Nor do we progress by reciting to ourselves that we have gone through the Production Age and are now in the Distribution Age. I don't believe it. We went through the Distribution Age as the Empire State Express goes through Poughkeepsie. We are now in the Absorption Age and we need to have every concern about the size of the roll in the pants pockets of the absorbers.

However, our best minds (or at least those who do some of the out-loud thinking for the U.S.A.) recommend pay envelope flattening as the best way to save the Union. It is not for this meandering column to debate the issues; it is too late anyhow. But I might suggest that we don't discourage the boys about the situation any more than we can help.

I see no good in dragging that old Punch and Judy show out of the barn loft and turning its shrill voice upon the land in order to inform the workers that the cost of living has come down and therefore wages are in for a lop.

* * *

This is a rheumy gospel that no more fits into our new wrought and abundant world than Texas Guinan fitted into la belle France. It belongs to those times when whether women should wear bloomers on a bicycle was something to argue about. As it rasps upon the tympanum of the worker it makes him wonder if forever his destinies are manacled to the price of canned corn and overalls and floods him with regret that his last instalment plan wasn't spent to be wired for sound by Western Electric. Then he could emit a loud and wide snort.

Wage earners already feel almost as bad as a railroad. Their morale is not helped any by profound references to the price of rompers, soap chips, and ketchup.

J.W.D.

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

**October 7, 1931**

# Action!

IT IS time to face the facts. The depression has deepened; recovery within any endurable period becomes day by day more doubtful as adequate corrective action is delayed.

This depression was not due to widespread defects in the structure or conduct of the machinery of production and trade. It was due fundamentally to the mismanagement of the world's monetary and credit machinery, partly by financial authorities, partly by political influences, finally culminating, with the British abandonment of the gold standard, in a world-wide breakdown of the monetary and credit mechanism upon which all industry, agriculture, and labor depend, and a widespread paralysis of public confidence and economic activity.

Nothing the individual business concern, community, or citizen can now do for themselves can bring recovery save through a prolonged process of liquidation, loss, and hardship in which only the strongest survive. Wage cuts, drastic individual or business economies, curtailment of public expenditures, contraction of credit may afford temporary relief and assure individual survival, but they progressively destroy the network of interdependence upon which the security of organized society rests, intensify and spread its distress, speed its disintegration, and make its reconstruction more difficult.

Much as we may prize the principles of rugged individualism which vitalize enterprise where confidence and credit are protected, there is now no alternative to chaos save to invoke the ultimate authority of the state in defense of the public security and take immediate and drastic steps to reestablish confidence by restoring the community's credit resources to its use.

In this emergency we propose the following measures for public action as imperative, and in succeeding editorials will undertake to explain their significance and necessity:

**(1) As soon as possible after the visit of the French prime minister in the middle of October, let the President assemble in the United States an international conference to consider the problem of restoring the gold standard, reestablishing the normal international flow of credit, and reviving the structure of inter-governmental debt.**

**(2) In the meantime let the President immediately call Congress into special session and present to it for prompt enactment measures providing for such revision of the Federal Reserve Act and of the anti-trust laws as will:**

**(a) Require and facilitate membership in the Reserve system of all banks engaged in interstate and foreign financial transactions;**

**(b) Require the Federal Reserve banks, upon enactment of the legislation, to guarantee the deposits of all member banks now in the system and all banks brought into the system under the preceding provision, such guarantee to be secured by a deposit insurance reserve established by the member banks and administered by the Reserve banks under an enlarged and uniform system of bank examination;**

**(c) Extend the provisions of the Reserve Act and the regulations of the Reserve Board regarding the character of member bank assets eligible for rediscount by the Reserve banks to include certain classes of corporate securities and real estate mortgages, subject to the discretion of the Reserve Board;**

**(d) Permit the organization and operation of associations of corporations engaged in interstate commerce for the purpose of stabilizing the prices of products and services, under the supervision of the Federal Trade Commission or similar body, so as to provide for the security and continuous employment of their workers and the safety of their investments along the lines proposed in the Swope Plan.**

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